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MASTER'S THESIS

**CORPORATE SOCIAL RESPONSIBILITY PRACTICES
IN THE MACEDONIAN BANKING SECTOR**

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INTRODUCTION

Sustainability and Corporate Social Responsibility (hereinafter: CSR) are one of the main discussions in governments and around the board tables of big businesses around the world. Concern about social and environmental impact of businesses is increasing. We are all urged to use less energy, to reuse and recycle and to “go green”. We are also urged to think about well-being of our employees and to take care of the all stakeholders. At the same time we are trying to grow our business and make a profit. Corporate responsibility or sustainability is addressing business ethics, global corporate citizenship, corporate social performance and management. For that reason, CSR is unimportant feature of the business and society literature. Managing CSR can be an important source of new ideas about shifting toward an integrated society.

1 DEFINITION AND MANAGEMENT OF CSR

Owing to the fact that the process of globalization increased the competition has increased also all around the world. The tendency to be socially responsible and to gain competitive advantage becomes an important factor for the corporate social responsibility practices of the companies. In the process of forming its strategies, the companies started to consider other advantages as important as their own. Thus a strong connection between strategic management and CSR aroused. Consequently, the concept of CSR becomes part of the strategy of every modern company. CSR implementation within the strategy of the companies can seriously change the outline of the organizations. Therefore, according to Carroll and Shabana the integrating CSR activities into strategy should be considered as one of the most important concepts for the organizations (Carroll & Shabana, 2010).

Corporate social responsibility concept is tightly connected to the basic values of the company and the internal resources and external environment. The concept equals the benefit of understanding the relationship and importance of stakeholders.

The most significant elements of the competitive advantage can be recognized through improvement in reputation and image of the company, implementing innovative and effective projects, detainment of exceptional employees and stimulating their motivation, enhanced financial performance of the companies provided by social responsibility actions which are comprised in the corporate strategy and improvement in corporate governance at the same time. The above mentioned elements are intangible assets of a great importance. According to Husted and Salazar (2005), the society and shareholders are expecting positive outcome through implementation of CSR strategies which will resolve the tension between social objectives and profitability of the company.

In order to achieve positive results in financial and social aspect the companies should take into account the strategic implementation of CSR thus contributing and resolving the social concern of the organization.

According to the academics, Porter and Kramer (2006), the relation between CSR and the competitiveness of the company divides the social issues into three groups: generic social issues, value chain social impact and the social dimension of competitive context. The first group is generic social issues which influence the society; but in the long run they do not have serious impact on the company's operations and competitiveness. The second group includes social issues which are depending on the company's activities in their everyday business operations. The third group is a social dimension of competitive context which is tight to the external environment and has a serious impact on the competitiveness of the company regionally. Following the categorization above, they agreed that the social dimension of competitive context has the biggest importance in the hierarchy whereas and generic social issues are with the slightest important.

Despite of this hierarchy, all of the categories and strategy should be taken in consideration with their possible variables. The authors point out that the generic social issues which apply to one company could make social impact on the value chain to another company or even the social dimension of competitive context, as different industries and social aspects can change as well. In this respect, as the social responsibility contributes to social objectives and corporate strategy contributes to financial objectives they are considered as separate units. However, according to Husted and Allen in order to maximize the financial and social results they should be seen together (Husted & Allen, 2001). If managed effectively, CSR programs and projects can generate significant benefits for the company related to the reputation and profits so as the loyalty of the employees. Other academics claim that CSR is significant for the valuable partnerships and its improvement (Pearce & Doh, 2005). Husted and Allen (2001) point out that if CSR strategies are being used properly can create competitive advantages because there is a positive correlation between strategic social responsibility actions and competitive advantage.

Given the fact that all banks offer comparable products on the same market, competitive advantage in the banking sector is an important issue. Promoting new products and brand name development are the main tools for searching additional benefits. The business practices prove that introduction of unique and innovative products in the market cannot be a competitive advantage in the long run. The products offered by the financial industry are followed by the competition on daily basis. So they can always offer improved or even better products and services. Practically, in the competitive society the best approach to achieve brand development is to create a positive image in front of the stakeholders. Serving stakeholders' interests is known as stakeholder management which can be achieved among other tools, by socially responsible practices too (Post, Preston & Sachs 2002). CSR policies

of the banking sector have to attain sustainable development and maintain partnership with the existing society. Financial institutions have to be responsible towards the society and through involvement and encouragement in CSR practices to make contribution for a sustainable community.

The aim of this thesis is to explore the perception of CSR and practice of the banks in Macedonia. Financial sector is a segment which is highly exposed to evaluation which makes banking a good industry for CSR research.

Macedonia is aiming to develop its economy in order to access the European Union and the European market. Lately, brain drain is an issue which is confirming that the market is under developed and the rate of highly educated young but unemployed educated persons is increasing. The bigger Macedonian companies, especially the banks, are the ones which should be most advanced in the implementation of suitable CSR practices. Many of the big banks existing in our market should take responsibility to transfer modern CSR business practices and know-how as they are subsidiaries of international companies.

My aim in this master thesis is to provide detailed analyses of the current situation in reference to the CSR practices of the analyzed banks. I hope that the research will contribute in raising the awareness of the Macedonian companies for the importance of implementing CSR practices in order to gain competitive advantage and follow the global society. The research should affect the initiative to initiate CSR activities and contribute to the companies' competitiveness in the regional and global markets. CSR practices should be considered as valid tools for the Macedonian banks in order to attain competitiveness. To achieve this attention and strategic approach is needed. The fact that any internet research regarding CSR issues for the Macedonian market shows poor results, leads to the need to nurture broader awareness for the importance of this topic within the Macedonian companies.

My thesis is organized in six main parts. The first part explains the management and concept of CSR. The second part is a theoretical approach based on academic theories for the most typical CSR practices. The third part is also based on literature review and some research publications concerning the strategic approach to the CSR management where the most outstanding theories regarding this concept and the reporting practices are observed. The fourth part gives detailed insight of the empirical research for the CSR practices in Macedonian banking sector which is followed by the last two parts where the results from the survey and further suggestions on this topic are presented.

1.1 Main Concepts

The concept of CSR has become attractive in the academic and the business world. CSR aspects go beyond the interests of the firm and requirements by the law (McWilliams &

Siegel, 2001). This concept turned out to be very popular in the past decades. Bowen provided the first modern definition of this concept in 1953. He stated that businesses are responsible for their actions beyond profit and loss statements. In practice opposing ideas exist for the justification of the fact if the organizations should implement socially responsible activities or not. According to Friedman (1970) managers of the companies are agents of the shareholders whose major concern should be increasing shareholders' value by maximizing profits. In this view, contributions that serve social interest beyond economic justifications violate the principle-agent relationship. Accordingly, all the actions taken for the benefit of the society should be at managers' own costs. This attitude become ethical issue in 1979 when Carroll defined the social responsibility of businesses as a union of economic, legal, ethical and discretionary expectations of the society at a certain period of time. At the same time the shareholders are not the only one responsible for the actions of the organizations but in order for a company to succeed, all external and internal factors should be considered (Freeman, 1984). In 1992, Frederick defined CSR as "a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment." Furthermore, Marrewijk (2003, p.2) provided explanation by stating that "in general, corporate sustainability and CSR refer to company activities, voluntary by definition, in demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders". CSR is defined by the European Commission in 2001 as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". This definition encompasses five major dimensions: the environmental dimension (natural environment), the social dimension (relationship between business and society), the economic dimension (financial aspects), the stakeholder dimension (stakeholders or stakeholder groups) and the voluntariness dimension (actions that not defined by law).

Looking back through the history evidence can be found about business community concern for society. The concept is initially recognized as social responsibility (SR) throughout the 20th century, especially in the past 50 years. In the early literature on CSR, this concept was referred as SR more often than CSR. Most of the evidence can be found in the literature of the US authors. The concept of CSR has been adopted in the European countries and it was used at first as an imprecise and narrow term but suggesting creative volunteerism. The publication in 1953 by Howard R. Bowen, with title *Social Responsibilities of the Businessman*, started the first broad discussion of business ethics and social responsibility and by many symbolizes the beginnings of the modern period of CSR. As a result if this, foundation is being created by which this subject could be considered as part of strategic planning and managerial decision-making. Bowen believed at that time, that the largest businesses were the most influential centers of power and that they made impact on the life of citizens. Bowen raised a lot of questions where among the most dominant is the one about the responsibilities. The question raised at that time is still important nowadays: what responsibilities to society businessmen reasonably are expected to assume. Bowen gave an answer to this question explaining the

terms of the objectives and values of the society that should be the responsibility of the businessman, considering them responsible for the consequences of their actions beyond the economic aspect of their profit and loss.

1960 is marked as an important year when the most striking attempts were made in order to define what CSR means (Davis, 1973). Davis was occupied with the SR topic referring to them in a managerial context. Furthermore, he pointed out that such responsible decisions can pay back with a long run economic gain to the company. This socially responsible attitude became generally accepted in the late 1970s and 1980s. He became popular in respect to his attitude on the relationship between SR and business management.

The Committee for Economic Development (hereinafter: CED) in its publication *Social Responsibilities of Business Corporations* (1971) made a remarkable contribution to the concept of CSR. The CED distinguished that the business and society change. Accordingly the business took responsibilities to society more than ever before. The CED further claimed that business role is not just in providing goods and services but also in contributing to the quality of life. From the standpoint that business exists to serve society, the business will be valued according to their capability to respond to the expectations of the society which are not constant.

The CED went further in defining SR by three-concentric-circles; inner, an intermediate, and an outer circle. The inner circle encompassed the economic function of the responsibility of the business such as providing products, services, jobs, and economic growth. The intermediate circle signified the exercise of always being alert to society's changing social values, environmental conservation; relationships with employees; meeting the expectations of consumers for information, fair treatment, and protection from harm. The last circle concentrated on the new responsibilities that business should take care in the society, such as urban blight and poverty. In the early 1970s, Environmental Protection Agency, the Consumer Product Safety Commission, and the Equal Employment Opportunity Commission have been established. The government social regulation started to follow the changing climate with respect to CSR. Another significant supporter of the CSR concept, in the 1970s, was professor at the UCLA University, Mr. George Steiner, who acknowledged that the firm cannot ignore the other social responsibilities towards society beyond the economic profit making responsibility. He represents the attitude that the larger the company, the bigger the responsibility towards society.

Carroll (1999) declared that businesses should not only make a profit, obey the law but to go beyond these activities by implementing the concept of CSR and become responsible of the business to the society. In order to clarify the components of CSR he encompassed the economic, legal, ethical, and discretionary expectations that society had of organizations at a given point in time.

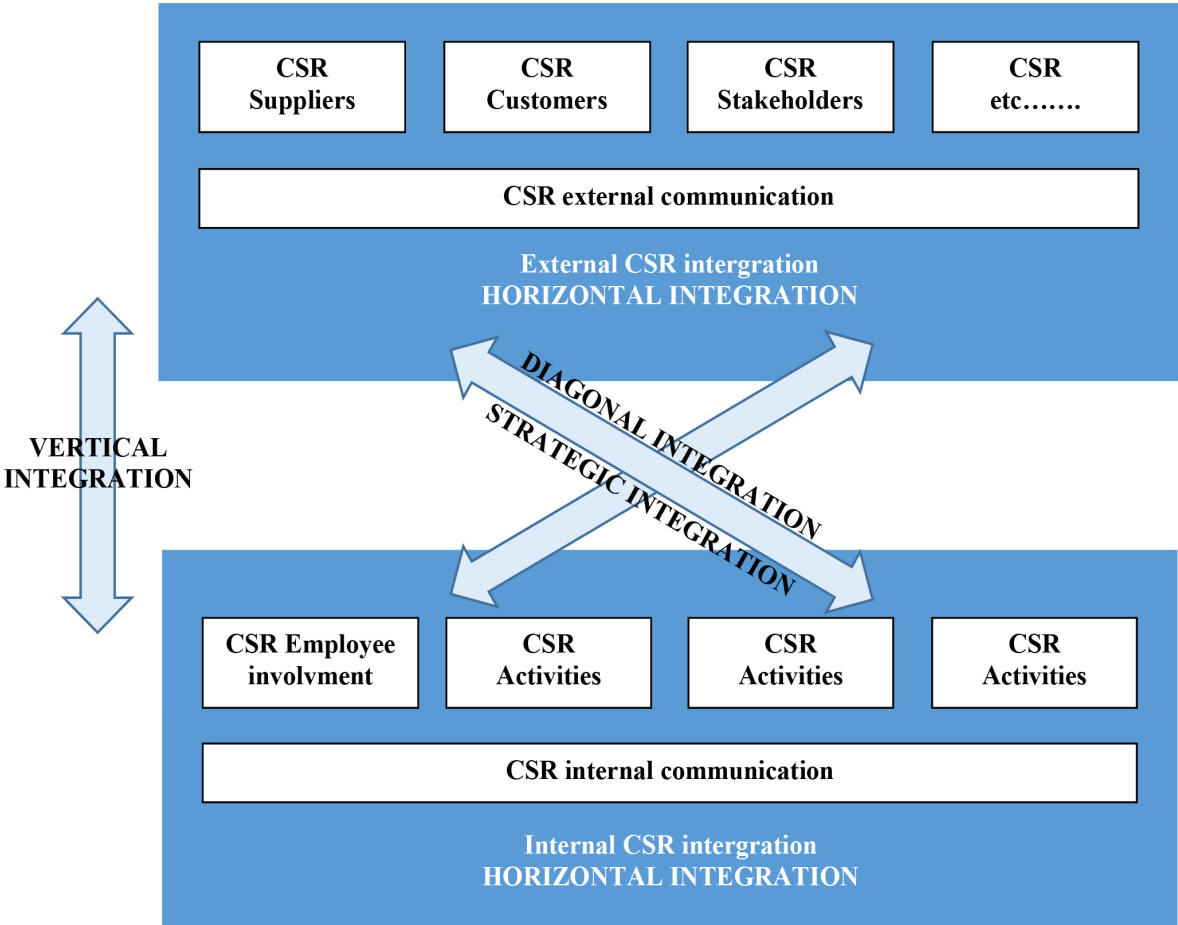
Today, the companies demonstrate their commitment to the values of the society, environment, and economic goals through their actions. Their commitments refer to their actions in order to diminish the negative impacts of company; to include the shareholders and stakeholders into the beneficial activities of the company thus providing more profit by doing the right thing. This kind of approach will convince toe stakeholders that not only good intentions but also good actions are needed.

2 THEORIES OF CSR

2.1 Internal and External CSR

CSR activities within a corporation can be integrated internally and externally and further more vertically.

Figure 1: Internal, External, Vertical and Diagonal CSR



Source: A. Aagaard and J.Lemmergaard, *The balance between internally and externally oriented CSR*, 2008, Figure 1, p.7

Internal CSR integration means the involvement of the employees of the company in the content and the effects of their voluntary effort in internal oriented CSR activities. Their engagement and their awareness of CSR strategy can reach the goal of employees to participate in a CSR responsible manner. Internal CSR integration includes the following activities: fair and efficient Human Resource Management (hereinafter: HRM); safe, healthy & secure work place; respect freedom of association; abandon discrimination & encourage diversity (Martinez, Gisch-Boie & Wieman, 2010).

External CSR integration consists of the external CSR communication which involves customers, suppliers and other stakeholders in the externally oriented CSR activities. The more sophisticated CSR integration is the vertical which puts together the external and the internal CSR operations.

According to the list of generic CSR topics as developed by Martinuzzi, Gisch-Boie and Wieman (2010), integration includes Environmental topics (i.e. protection of air and water, land biodiversity, minimize the amount of toxic substances, emissions, sewage and waste, conserve natural resources, apply renewable energy & avoid the usage of raw materials, engage in climate protection, boost innovation for improvement in efficiency and consider the whole product life-cycle, facilitate reusability & recyclability of products), Global topics (i.e. raise stakeholders' awareness for social & environmental topics, practice sound stakeholder management, facilitate sustainable supply chains, respect Human Rights, engage in poverty reduction and participate in the development of public policies), Social topic (respect consumer interests) and Economic topics (pursue sound corporate governance practices, ensure transparency by reporting, foster innovation, combat bribery & corruption, engage in fair competition, take up socially responsible investment, look after intellectual property rights, offer safe and high-quality products/services, encourage sustainable consumption & production and implement sound risk management systems).

Vertical CSR is a holistic integration that aims at consistency between the internal and the external CSR.

An advanced approach of the vertical integration is the diagonal integration, which comprises integration of the CSR activities on all levels and leads to the strategic CSR.

The model above in figure 1 illustrates the different levels of CSR integration of the companies.

2.2 Carroll's CSR Pyramid

The traditional view implies that the company's prime aim should be to make profits. This perspective is predominantly materialistic and still exists in the world of economy. However regardless of the company struggle for money, businesses should include a wider range of

economic and civic responsibilities in their daily operation, therefore expanding their concern for the field of ethics.

The first theoretical approach that concerns modern CSR theory is based on Carroll's (1991) concept. In his concept different corporate social responsibilities are organized as a four-layered pyramid and called the pyramid of responsibilities. The four different responsibilities are: economical, legal, ethical and philanthropic.

The four layers of the pyramid should not be separated but seen as a whole (Carroll & Bocholt 2003).Further below follows the description of the layers composing the pyramid of responsibilities:

Economic responsibility understands making profits. Despite the non-profit organizations which exist by donations and grants for their own activities, all other companies that don't make profits could not persist on the market. Economic responsibilities will directly affect employees and owners.

Legal responsibility implies adherence to rules and regulations. Like the previous, accepting this obligation as a proactive duty and as a social good can ease the good faith efforts to obey the rules.

Figure 2: Carroll's Pyramid 1



Source: A. Carroll, *The pyramid of corporate social responsibility*, 1991, p.42

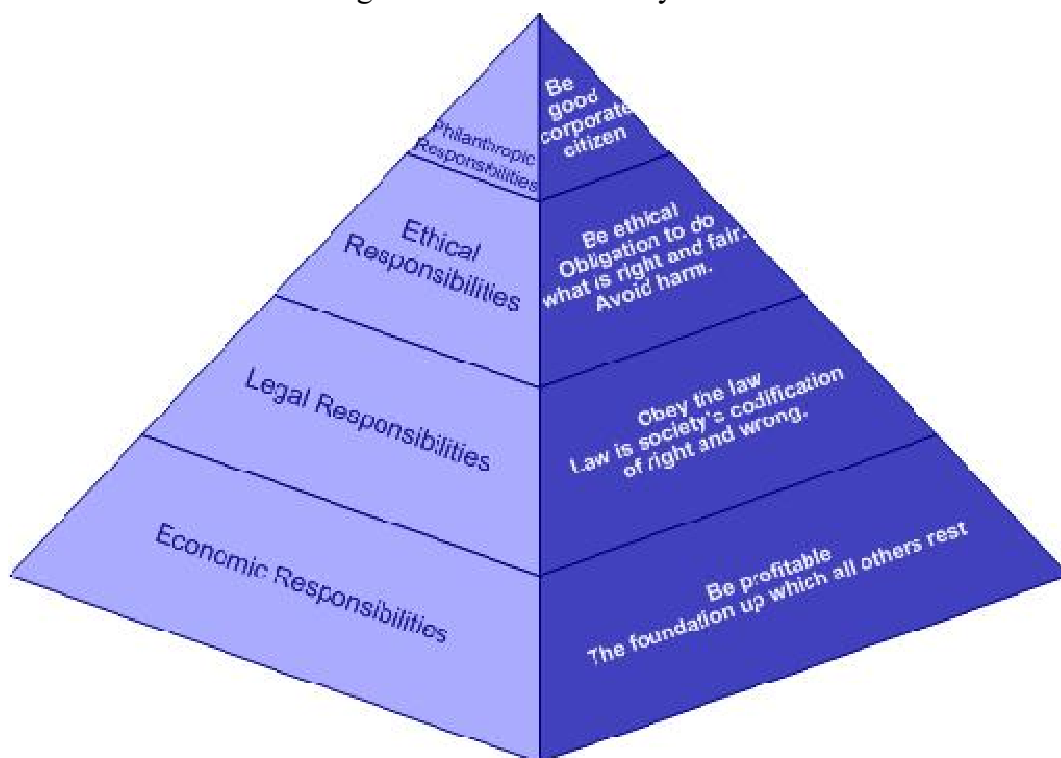
Ethical responsibility underpins this theory and represents the corporate culture that equals the obligation of the business itself to a citizen as an entity in the society. These responsibilities are not required by any law or regulation but are expected by society. Although all stakeholders are affected by the ethical responsibility, the ones that are mostly expected to obey this responsibility are the consumers and employees.

Philanthropic responsibilities are at the top of the Carroll's pyramid as they can improve the quality of the life in the society by their practice. Volunteerism is one example of philanthropic responsibilities through which a support is provided for the community which is desired and expected by the society.

Roughly 27 years later, Carroll's pyramid remains exceedingly relevant today. This pyramid is cited and debated almost always by academic circles where CSR is a topic.

But to understand the pyramid's true meaning one must look further and focus more on its practical application. The pyramid's importance endures the time because it represents a simple and fundamental framework CSR theory for the companies. In order to understand the principles the companies should practice it layer by layer in order to reach the top of the pyramid. This pyramid is foundation of the CSR theory.

Figure 3: Carroll's CSR Pyramid



Carroll's CSR Pyramid

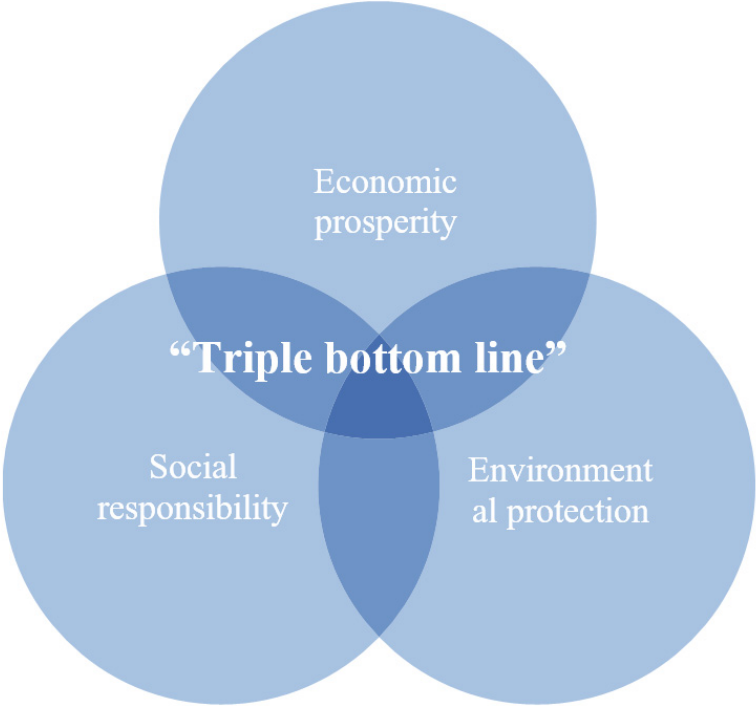
Source: S. Raybould, *Tutorial aid: Ethics and CSR for global companies*, 2013, slide 16.

Furthermore, in 2006 Michael Porter highlights the omnipresence of CSR force and states that attention and prioritizing CSR is obligatory for every business leader in every country (Porter & Kramer, 2006). In this manner CSR is transformed and developed from being a ‘goodwill’ concept into becoming a business function, a strategic management component of central importance to firm and its success (Carroll & Shabana, 2010;) and a vital part of a firm(McWilliams & Siegel, 2011;). One example of CSR practice discussed in 2002 is the Price Waterhouse Cooper survey which stated that “70% of global chief executives believe that CSR is vital to their company’s profitability” (Carroll & Shabana, 2010).

2.3 Triple Bottom Line

Triple Bottom Line (hereinafter: TBL) is an accounting theory which provides a tool with which corporations can review and report about how they operate.

Figure 4: Triple Bottom Line



Elkington was the first author that mentioned this theory in 1994 and afterwards in 1997 in his book *Cannibals with Forks: The TBL of 21st Century Business* (Elkington, 2004). The main focus is measuring sustainability in accordance with the three TBL dimensions such as: economic, ecological and social. Each of these dimensions contains sub categories which explain it in detail. This theory suggests that the stakeholders have greater responsibility to increase the organizations value rather than shareholders. TBL is used as a measure for sustainability (Logoni, 2014). The theory is deals with the company’s profitability,

shareholder values and the social, human and environmental capital (Savitz & Weber, 2006). If the companies practice this complex approach, they would be more capable of managing business risks, society concerns and would easily find new business opportunities and bridge obstacles (Henriques & Richardson, 2004, p. 26). The deepest understanding of the notion of sustainability is maintaining balance between ethics and economics for a stable endurance of the organization. Further are the three sustainability dimensions of TBL explained by John Elkington.

Economic sustainability - Economic TBL dimension affects economic and financial fundamentals. Financial fundamentals are implying money of the organization. Money is a financial capital which is tangible and can be distributed and shared. It affects production which is closely bound to the decision, theories and choices that are made within the organization. The other fundamental puts profits, cost savings, economic growth, research and development as a central point in an organization. So the economic fundamental regards profit as a benefit not only for the organization but for the entire society. If the economic fundamentals integrate with the social aspect they grow into business ethics, fair trade and workers' rights. According to the TBL approach the social and economic accountability are not aimed to practice profit maximization but also to maintain and make a balance between economic and social elements.

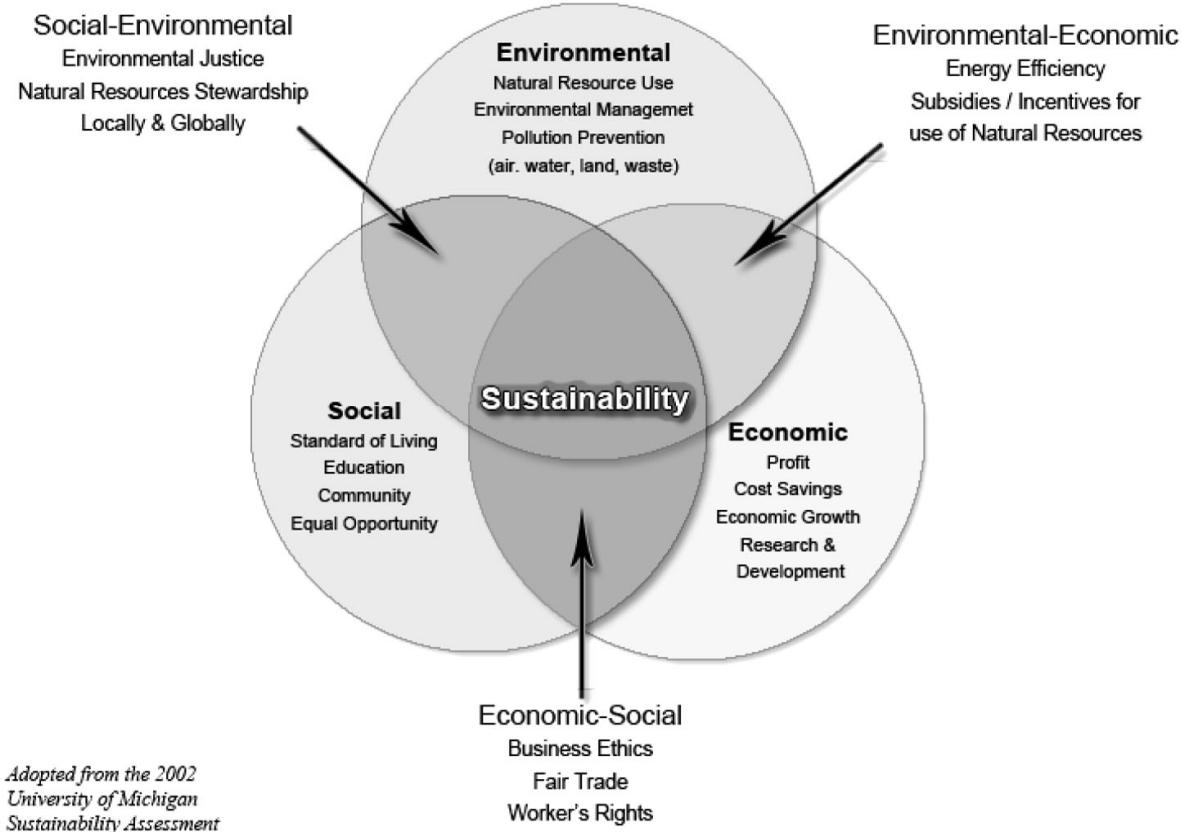
Social sustainability - as the concept implies, the social sustainability entails enhancing working conditions, monitoring community, labor, standard of living, education and equal opportunity for all in the society. The main target of a sustainable organization should be development of the whole community (Bob, 2002).

Environmental sustainability - Environmental dimension includes natural resources, environmental management, and pollution prevention. Environmental-economic aspect covers energy efficiency, finances and natural resources which have to contribute and help the environment to stay sustainable and usable for the generations to come. Henrique and Richardson (2004) state that the theory of TBL encourages the organizations to manage their business risks in a more efficient and sustainable way and to get involved in the concerns of the society. Environmental dimension has to adhere to obligatory regulations and reporting procedures for the performance of the organization. This obligatory regulation is different on a global level and a unique sustainable protocol is not possible to be adopted. Environmental dimension is a modern tool for evaluation of environmental assets and environmental protection in order to secure the performance of the company. It is new concept which in corporate sustainability into accounting.

There are two keys to TBL idea. The first is that the three columns of responsibility have to be seen as separate units and their measures have to be reported separately. The second is that all of them should show sustainable results.

The TBL dimensions are often known as the three Ps which actually stands for: people, planet and profits herein referred as 3Ps.

Figure 5: TBL Sustainability



Source: S. Rodriguez, M. Roman, S. Sturhahn and E. Terry, *Sustainability Assessment and Reporting for the University of Michigan's Ann Arbor Campus*, 2002, Figure 1-3, p.8

"People" refers to the concern of the organizations for conducting business that has to be beneficial for the labor, community and region in which the organization exist.

"Planet" points out that the TBL organization should be able to help the natural order and endeavor not to harm it. In any case the organization should minimize the negative impact on the environment. The business concern for the environmental sustainability is significant for the existence of the organization over a long period of time. In the long run it is profitable to be environmentally sound, but it is often hollow to justify it over a short period of time. The sustainability reporting metrics for environmental issues are better evaluated and standardized than the metrics for social ones.

"Profit" is the financial benefit created by the organization after all costs and expenses are deducted from the inputs. The society should consider the profit as a economic gain and to

use its benefits. So term profit can be interpreted as benefit only if implies environmental and social benefits for the society.

Figure 6: The 3P's=Triple Bottom Line



Source: *Center for sustainable business practices - University of North Florida, 2012,*
<https://www.unf.edu/coggin/csbp/>

According to Cavagnaro and Curiel (2012) the sustainability at the level of organizations requires them to meet all TBL dimension *i.e.* People and Planet alongside with Profit. Specific examples of the variables that deal with the TBL include:

- **Economic measures:**
 - Personal income/taxes
 - Cost of underemployment
 - Establishment churn
 - Establishment sizes
 - Job growth
 - Employment distribution by sector
 - Percentage of firms in each sector
 - Revenue by sector contributing to gross state product

- **Environmental measures:**
 - Sulfur dioxide concentration
 - Concentration of nitrogen oxides

- Selected priority pollutants
 - Excessive nutrients
 - Electricity consumption
 - Fossil fuel consumption
 - Solid waste management
 - Hazardous waste management
 - Change in land use/land cover
- **Social measures:**
 - Unemployment rate
 - Female labor force participation rate
 - Median household income
 - Relative poverty
 - Percentage of population with a post-secondary degree or certificate
 - Average commute time
 - Violent crimes per capita
 - Health-adjusted life expectancy

All of the TBL measures of sustainability should be determined locally because of the diverse geographic scope and nature of every business for which appropriate measures are needed. TBL is used by businesses, non-profit organizations and governments.

Not only the financial reporting is required but also the organizations are expected to disclose corporate governance and CSR practices in an integrated manner. Modern organizations increase their voluntary reports on CSR. In this way they implement CSR reporting as a new norm in the society. Most usually the CSR reports are part of the annual reports of the organizations.

The organizations have the right to decide what to disclose, when to disclose and how to disclose it. (Van der Laan, 2009.) There are external and internal drivers for the organization to initiate CSR reporting. The internal driver rates CSR over other responsibilities which are seen through the business practice and moral-value driven incentive of the organization. The external driver is triggered by the external pressure (Zadek & Raynard, 2004). The stakeholders who have the power to legitimize or influence the organization are the initiators of the external pressure. The organizations gain advantages if they positively respond to the external pressure and by doing that they avoid additional cost of ignoring the stakeholder.

Below in the thesis I shall cover external pressure driven theories (stakeholder, legitimacy, social contract), all these theories are interconnected and overlap. Further in the thesis the basic CSR theories are presented paying attention on their main concerns.

2.4 Stakeholder Theory

The stakeholder theory is concerned with organization management, ethics of the business and morals and values in managing an organization. Freeman is one of the first authors who define the term stakeholders. In his book *Strategic Management - A Stakeholder Approach* (1984) he classifies and structures the groups of stakeholders where he also indicates the methods which can be used by the management in order to support the interests of those groups. The traditional, shareholder view of a company, supports the idea that the only important entities for the organization are the owners or shareholders. This traditional view also implies that the organization has an obligation to increase value of the business only for the benefit of the shareholders. Stakeholder theory disputes this traditional attitude and affirms that other parties are similarly important for the organizations such as employees, customers, suppliers, financiers, communities and trade associations and trade unions. Competitors can be also added to this group because they can also have an influence on the organization and its stakeholders (Freeman, 1984).

In his writings, Pirsch (2007) states that the organization will survive and achieve success not only by making economic profit and maximization of its performance but also if it takes care for the non-economic profit such as corporate social performance objectives which are also important for the stakeholders. He points out that the management should watch each stakeholder group in a normative, instrumental or descriptive perspective.

The normative perspective recommends that the organizations should think about the interests of the complete stakeholder group. Subsequently, a firm must practice its CSR initiatives so that they equally appeal to the whole stakeholder group.

The instrumental perspective suggests that the economic success of the corporation is the key factor for improving its performance. Therefore, managers have to apply and practice the CSR aspects that have positive impact on the economic performance of the company. The descriptive stand point promotes the attitude that firms donate for the reasons that are important to their stakeholders (Pirsch, Gupta, & Grau, 2007).

What is more, Öberseder (2013) finds a link between stakeholder theory and CSR as an extent to which the company envisages its stakeholders in a proper manner. Hence, stakeholder theory is concerned “for whom” is the corporation responsible and forces the managers to achieve a balance of the interests of all stakeholders within the social system. In other words, the stakeholder theory has an ethical (moral) feature. This ethical feature of the stakeholder’s theory applies for all stakeholders and supports the right of the stakeholders to be treated equally and fairly by the company and its management.

ISO 26000 and GRI practice stakeholder theory in their methods of their analysis.

2.5 Legitimacy Theory

Although there is no a unique theory for disclosing CSR practices, recent research shows that the most accepted and widely used theory for the disclosure purpose of the companies is the legitimacy theory (Deegan, 2002, p.285).

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p.574).

Irrespective of the definitions, the core meaning of this theory is that the companies have concluded a social contract with the society which obliges them to act within the expected defined norms of their society and to consider the society in every decision of their operating processes (Guthrie, Petty & Yongvanich, 2004).

Lindblom (1994) however thinks that seeking legitimacy from the society is not an easy task for the companies. She considers ‘legitimacy gap’ as a difference between the expectations of the society related to how a company is supposed to act and how a company actually acts. Whenever this legitimacy gap is present, the company should expect potential threat to its legitimacy. In order to surpass the threat of the legitimacy, the company should adhere to corporate social behavior.

Davis (1973) opposes Lindblom’s view (1994). He claims that the company has no direct power to legitimate its activity, but just the opposite; he thinks that the society grants the company this power to control the legitimacy of its actions. So in order to keep this power, the companies have to behave responsively to the society. Legitimacy theory closely relates to stakeholder theory. Legitimacy management is complex because of the great number of highly fragmented issues.

The potential for building corporate reputation or legitimacy depends on the difference and the dialectics between the corporate performance and societal expectations.

2.6 Social Contracts Theory

Social contract theory has a long tradition. The essence of this philosophical idea is that every individual has ethical and political obligations that have to be in compliance the obligations of the other individuals in the society. The obligations of the individuals which must comply with the social norms and customs can be in a written form according to the regulations and the law or they can be agreed in a tacit form without any written agreement. These obligations refer to all companies irrespective of their size; which means that all companies must take care not only of their communities where they manage their businesses but also of the whole world. What is implied by this theory is that companies should consider corporate

governance, CSR, and corporate philanthropy as part of their inner commitments within the company and outer commitment to the society.

This theory is further developed by Donaldson and Dunfee (1999) into Integrated Social Contracts Theory which refers to the decisions of the managers and the ethical context of their decisions. In their attempt to develop the theory they emphasize the difference between macro social contracts that refer to the support provided to communities and micro social contracts that refer to the support of the companies given to local community.

Companies are integral part of the society so generally, they describe the social contracts as “societal expectation” which makes their activities and businesses responsible to society as a whole.

Moir (2001) states that all above mentioned theories intersect each other. However he explains that the stakeholder theory is concerned on “how” the company acts, whereas the social contracts and legitimacy theory explains ‘why’ they should act in such manner.

2.7 Signaling Theory

Information is an important issue that has great impact indecision-making processes in households, businesses, and governments. Information asymmetries arise between those who hold information and those who make decisions. Information asymmetry deals with the decisions in the actions where one party has more or better information than the other. This creates an imbalance of power, which can sometimes cause the decision making process go wrong and cause adverse selection which enables one party to benefit most at the expense of the other, moral hazard when one takes more risks because someone else bears the cost of those risks and information monopoly. Signaling can facilitate the perceptible how the involved parties can resolve information asymmetries and illuminate the concealed and unobservable quality of information.

In order to reduce the information asymmetries, some studies prove that the process of adopting socially responsible practices can decrease asymmetries between the companies and their shareholders (King, 2005, p. 1098) and improve their financial performance (Ramchander, 2012, p.303). In this direction the studies prove that the voluntary CSR practices that go beyond the pure economic and legal requirements can signal to their stakeholders and give unobservable attribute to suppliers, employees and customers (Carroll, 1979, p.503). The unobservable attributes can be vital for stakeholders and may enable premiums to companies that adopt CSR practices (Ramchander, 2012, p. 314). For instance, King (2005, p.1103) gives explicit example of the signaling theory by implementing the standards such as the ISO 14001 environmental management system certification which conveys an unobservable characteristic of the company to its suppliers. The companies that own such private management certifications (ISO standards) shrink the information

asymmetries as these certifications offer extra credible information to buyers and lower potential opportunism from suppliers.

Signaling theory affirms that CSR practices contribute to corporate financial performance of the company. The issue of the contribution by implementing CSR practices has different perception in practice and in literature. Some academics with managerial background claim that CSR can send a positive signal for market evaluation of the company. Other academics with economics and finance background find that CSR practices can have non-significant or negative impact on the corporate financial performance. Opponents of the idea that CSR practices contribute to the financial performance of the company think that the company's key objective is to maximize the profit and CSR practices create only waste of firm assets (Friedman, 1970; Karman, 2011). Managers may willingly adopt CSR practices in order to increase their individual positive image on account of shareholders of the company. Sometimes the relation between CSR practices and financial performance of the company are so complex that they can produce agency costs for the company.

3 CONTROL AND REPORTING

3.1 Tools for Disclosing CSR Activities

Corporations are not the main actors in CSR. Human beings and governments are also responsible for CSR but there is always a focus on corporations. There are two aspects in this direction; the "free rider" aspect is that corporations take assets from general public or environment and create value. The second is that they destroy assets which have no economic price to put on them. How can we put price on destroying ozone layer for example?

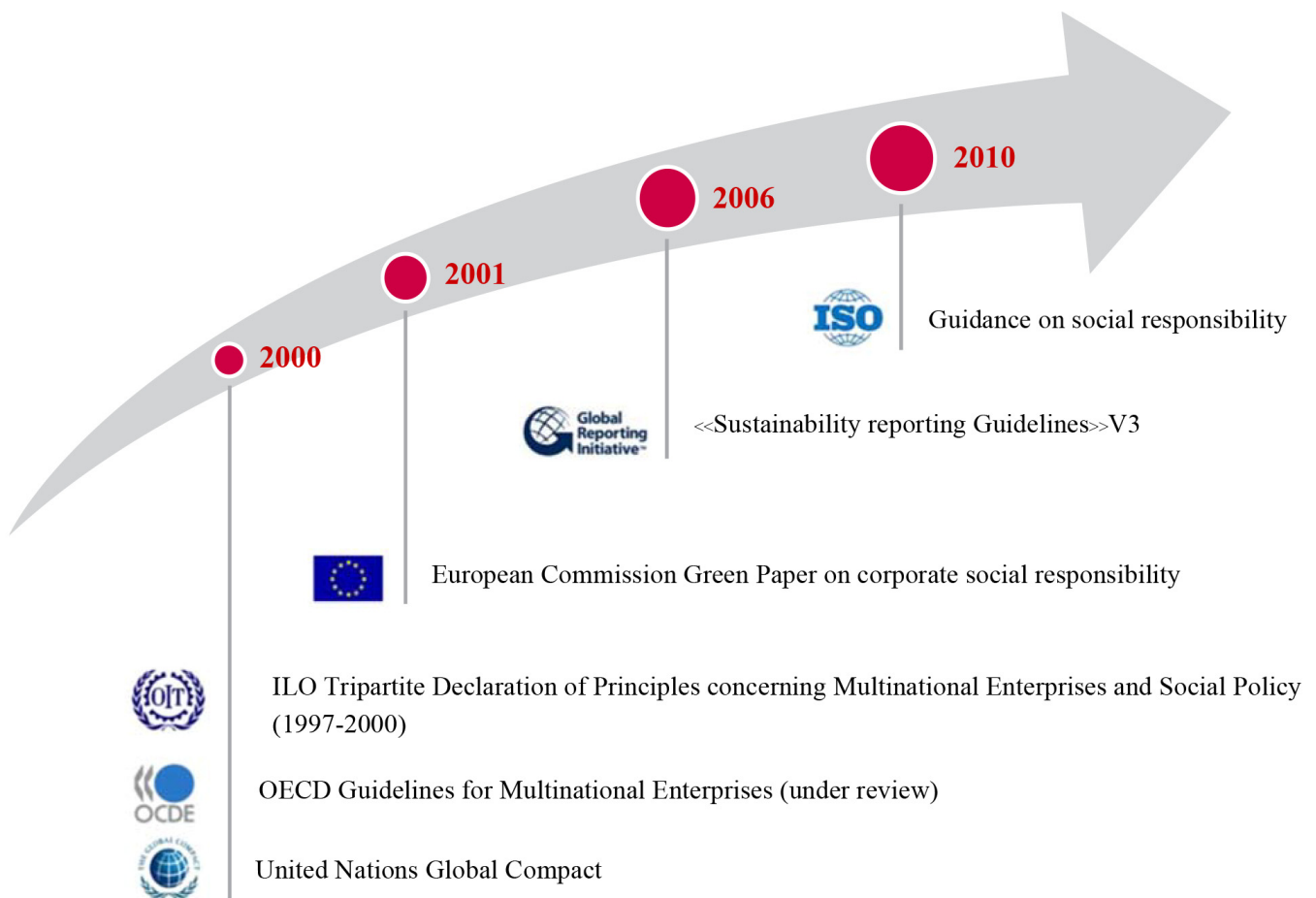
Corporations respond by producing CSR reports. From accountability point of view the CSR reports are not requirement. CSR reports cannot be audited as there are no obligatory standards for control. Measures are not available in CSR. It is hard to measure non-financial performance and to find link between non-financial and financial performance of the corporations.

Traditionally, main guidelines and standards that regulate the reporting of CSR are presented in the graph below.

Over time, the companies increased their CSR reporting practices and apply standards and guidelines that regulate the CSR reporting. Today the companies implement several recognized guidelines and standards although their number in the past decade grew very rapidly.

Among many, the most outstanding despite United Nations Global Compact is the OECD Guidelines for Multinational Enterprises which was followed by ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in 2000, European Commission Green Paper on CSR (2001), GRI Reporting and V3 version (2006) and ISO Guidance on CSR (2010).

Figure 7: Reporting Standards



In practice, many corporations disclose non-financial information with layout and content elements which are unregulated. It is interesting to mention that governments of the OECD countries enable favorable tax treatment or tax exemptions for individuals and corporations that practice philanthropic activities. This practice raised the CSR awareness and attracted the companies to implement CSR practices. So the governments of the CSR countries have important role in promoting philanthropy as socially required matter.

Although the number of documents that regulate CSR accountability constantly increases, companies reserve their right to decide what to disclose, when to disclose and how to do it (Van der Laan, 2009).

Code of Conduct is one of CSR tools which represent a set of rules that the company must obey in order to continue its business with clients. This tool covers many issues important for a company among which is labor rights, environmental protection, stakeholder relations, anti-corruption, corporate behavior and supply chain management.

Banking sector which consists of large and medium sized multinational entities, applies different international codes of conduct. The Macedonian banking sector generally practices the UN Global Compact (hereinafter: UNGC). The main objective of the Global Compact is to incorporate the principles into the core business operations of the companies so that the management strategy and decision-making processes meet the terms and principles of the goals contained by the contract. The ten principles of the Global Impact are presented in Table 1 below:

Table 1: UNGC Principles

Area	Principles	
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human right
	Principle 2	Make sure that they are not complicit in human rights abuses
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	The elimination of all forms of forced and compulsory labor;
	Principle 5	The effective abolition of child labor; and
	Principle 6	The elimination of all forms of forced and compulsory labor;
Environment	Principle 7	Business should support a precautionary approach to environment.
	Principle 8	Undertake initiatives to promote greater environmental responsibility
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies
Anti-corruption	Principle 10	Businesses should work against corruption in all forms, including bribery.

The UNGC is introduced in 2000 by Kofi Annan, the UN Secretary-General, and it can be implemented for large companies. It consists of a network of more than 10.000 participants and stakeholders from all over the world (UNGC, 2013). It is a voluntary corporate

citizenship initiative that has no power on the businesses and their behavior and does not represent a substitution for a regulatory structure. The ten principles of the Global Compact refer to four areas such as human rights, labor, and environment and anti-corruption which are supported by the following documents: Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development.

ISO standards on social responsibility

Other standards that provide guidance for CSR reports and that have to be mentioned are the ISO standards:

ISO 26000:2010 is a management and leadership standard applicable for all organizations despite their location, size or activity. This guidance does not provide requirements and it cannot be certified. This standard stipulates what social responsibility is and also assists companies to implement the principles into efficient actions sharing the best practices related to social responsibility globally. The creation of this standard included many representatives from different governments, NGOs, industries, consumers and labor organizations which presume that its development represents an internationally accepted consensus.

It is intended to promote common understanding in the field of social responsibility regarding:

- Organizational structure;
- Human rights;
- Labor practices;
- Environmental issues;
- Fair business practices;
- Consumer issues; and communicating commitments to community and other information related to social responsibility.

When implementing ISO 26000:2010, standards attention should be paid to the societal, environmental, legal, cultural, political and organizational diversity and the differences in economic conditions, while being in compliance with and consistent with the international norms of behavior.

Other standard that is significant for the environmental management is ISO 14000:2015. On one hand this standard is committed to minimize the negative operations/processes of the companies which can affect environment such as adverse changes to air, water, or land while on the other hand it can help companies to regulate compliance with applicable laws, regulations, and other environmentally oriented requirements.

ISO 14000 is similar to ISO 9000 the standard of quality management. Both standards are not interested in the product but they are anxious more about the practice of how a product is produced.

ISO 14001 is major part of the European Union's Eco-Management and Audit Scheme (EMAS) which is demanding and concerned more on the improvement of the performance within the businesses, their legal compliance, and reporting duties. The requirements of EMAS environmental statement are bound to the fulfillment of the set terms. The terms include environmental management and cited impact of the company on the environmental area which should be a clearly defined as a strategy. These environmental statements have to be renewed at least in every three years.

SA8000 management systems standard can be certified.

The SA8000 is a well-known report of CSR management systems criteria that is modeled on standards and requires that entities looking for certification must go beyond simple compliance to the standard, but also integrate it into their management systems and practices and demonstrate ongoing conformance with the standard. The SA8000 standard relies on the principles of international human rights as described in International Labor Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. This report reveals and measures the company's performance and accountability in child labor, forced labor, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation.

AA1000 are principle based standards that help the companies to perform their business in a more accountable, responsible and sustainable way. Their main feature is that these standards focus on the subjects such as: corporate governance, operational sustainability, guidance to business models and organizational strategy and engagement of the stakeholder as well. The principles also cover sustainability thinking for the requirements of low carbon and green economy. These standards are used mainly by multinational corporations and also by small and medium companies (Account Ability, 2012a). Other principles which constitute the base of AA1000 and manage a sequence of standards are; inclusivity, materiality and responsiveness. Inclusivity comprises the process of integrating the stakeholder interests within the sustainability strategy of the company. Materiality refers to the issues that have strong effect on the organization and its stakeholder. Finally, under responsiveness the stakeholders recognize the feedback of the company to their demands which can have impact on the performance and sustainability of the company and can be perceived via communication with stakeholders. The principles are flexible and cover all segments of the businesses. As the standard is based on principles and not on rules, it offers chance to companies have more subjective attitude towards materiality issues. Being principles they can

be combined with other standards and guidelines, such as the UNGC and GRI (Account Ability, 2012b).

Subsequent to the presentation of the ISO and other standards, a general conclusion can be drawn as an imperative for all companies: the companies have to be conscious that the customers are the central concern of their business and that they have to be focused on the “voice of the customers” and the “voice of their stakeholders”. Standard definition and recommendation cannot be given but the documents such as ISO 26000, the UN Global Compact and other international guidelines have to be considered. The reporting is important however companies should go "beyond reporting" and pay special attention to the use of lagging indicators (results) in the reports. The reports should contain leading indicators which will be created to present the result over a long period of time. The CSR activities that happened in the past, need to be “looking forward” indicators that will report information about future activity of the company. The preventive measure for managing risk can be the approach of using ISO 31000 which should be included as CSR report. The companies occasionally run their CSR activities as an added bolt on activity. They may have integrated or a separate sustainability report within the CSR grouping. All the activities need to be integrated into one mainstream of the company which will integrate all employees of the company. So this mainstream shall lead to a meaningful CSR action. Structured conversation with the CSR leaders shall end to a fully responsible taking on environmental and human challenges.

This integration process cannot happen in a short period of time. Nevertheless, the companies should be accountable and transparent and have to be prepared for their activities upfront for the next 1 - 3 years. Eventually, CSR would become a completely integral part of companies' strategy and evaluation. The concepts like TBL, CSR Pyramid, Stakeholder theories and sustainable development come under the umbrella of CSR on a large scale. Their implications help the organization to proceed in a responsible way towards a sustainable business practices.

3.2 GRI Guidelines

Corporate responsibility reporting becomes standardized as of 1990. Corporate reporting becomes a trend which also referred to the economic and social performing introduced as “triple bottom-line.” Global Reporting Initiative (hereinafter: GRI) Guidelines is the most recognized TBL reporting model. GRI's specific goals are presented in their Guidelines Document which provides an easy presentation of the balance, to compare easily the corporate sustainability reports; to encourage standards and verifiable assessment for the sustainability performance; and to facilitate stakeholder commitment. The GRI Guidelines consist of three documents: Reporting Principles, Standard Disclosure sand an Implementation Manual. All organizations are obligated to prepare a sustainability report

regardless their differences in size, sector or location. The GRI Guidelines are internationally popular in all aspects of disclosure approach towards environmental, social and economic performance and impacts. The companies that require disclosure should adopt this kind of document which offers a detailed description of the organization and are relevant for all types of sustainability reports.

The structure contains 79 indicators pertaining to social, environmental, and economic dimensions and it includes 15 sector complements with additional indicators in order to provide for the unique requirements of each sector. So relationship between CSR and financial performance is a variable which can be used in the GRI analysis. If the companies disclose a report of all their responsibly the GRI reporting guidelines could be measured according to them. Some critics disagree that sustainability reporting is a guarantee that the company is carrying out sustainable activities. GRI is providing mechanisms that are striving to ensure reliability of the information disclosed by the companies.

The positive side of using the GRI is that the indicators provide a starting point for the sustainability initiative and offers systematic reporting which provides comparison of much organization. Goel (2005, p.202), for instance, states that GRI has many weaknesses because it is too general tool and a lot of the indicators are not yet clear. The GRI measurement and reporting is mostly used because it assists in raising the awareness of corporate sustainability reporting (Moneva, 2006, p.108).

The GRI consists of a standardized set of indicators and context-specific indicators should be developed. The need for updating the reporting produced the fourth generation of the GRI Guidelines, called G4, published in May 2013 where the sustainability reporting has been modified in order to support the current and future trends in sustainability reporting. The concept of sustainability has become essential for the survival on the planet Earth.

3.3 International Integrated Reporting Framework

In December 2013 the final version of the International Integrated Reporting Framework was announced by the International Integrated Reporting Council (hereinafter: IIRC), which promoted the concept that the integrated reporting through the organizations enables benefits for the stakeholders including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policymakers.

The structure was developed by different businesses and investors and the format can be applied in the private-sector businesses, public companies and NGO's. In the integrated reporting framework the specific key performance indicators are not included. It can be prepared as a stand-alone report or can be included as a part of another report or communication.

The IIRC defined 7 guiding principles of integrated reporting:

- Strategic focus and future orientation includes basic information on the organization's strategy and its ability to create value and use the capitals while monitoring the effects on it.
- Connectivity of information: a holistic picture of the different mix and interaction of factors that influence the organization's ability to create value over time.
- Stakeholder relationships represent the importance of organization's relationships with its key stakeholders which includes understanding and responding stakeholders' legitimate needs and interests.
- Materiality implies disclosure of the information for the capability of the organization to create value over the short, medium, and long term.
- Conciseness: the report should be compact.
- Reliability and completeness relates to the balance between the positive and negative matters without mistakes.
- Consistency and comparability relates to the regular routine in presenting the information and in comparability within the other organizations.

Although the integrated report is developed under individual circumstances few key elements should be presented:

- Organizational overview and external environment: reports should concentration the circumstances under which the company operates. It also includes ownership and operating structure, culture and values, main activities and markets, competitive landscape, revenue and staffing numbers and external factors such as legal, political, and environmental aspects.
- Governance: reports should focus on organization's governance structure and its' effect on value creation. It includes leadership structure, strategic direction, attitude to risks, risk management and mechanisms for addressing integrity and ethical issues.
- Business model: reports should include the organization's key inputs, business activities, resulting outputs and outcomes.
- Risks and opportunities: reports should recognize short-term and long-term risks and opportunities and the sources of those events, they should summarize the company's planned response to those risks and opportunities.
- Strategy and resource allocation: reports should illustrate the plans in place to accomplish strategic objectives in addition to the outlook behind a company's resource allocation.
- Performance: reports should offer qualitative and quantitative overview of an organization's ability to reach the defined objectives, overview of the past performance and the idea how current performance might be linked to the organization's outlook.
- Outlook: reports should concentrate on the organization's expectations about future external events, how the events could influence the company, and how it's equipped to react to such events.

- Basis of preparation and presentation: reports should contain a summary of an organization's materiality determination, a description of its reporting boundary and how it has been determined, and a review of the significant frameworks and methods used to evaluate material matters.
- General reporting guidance: disclosures about material matters and capitals; definitions for short, medium, and long term; and aggregation (by country, subsidiary, division) and disaggregation should be included into reports.

General practice of the companies is to disclose the CSR information through their websites, social media, sustainability reports, intranet, advertising, company brochures and magazines. Internet with all its benefits contributes to the organizational communication where stakeholders can find different standpoints about the organization and the advantages that internet can offer can be used to enhance the communication between society and companies.

The traditional practice recognizes two types of Annual reports:

- Annual report which includes only financial data and presents the company's audited accounts for the preceding year in compliance with the required corporate legislation.
- CSR, social or 'stand-alone' reports include non-financial information and performance of the company's audited accounts for the preceding year.

CSR or sustainability report with non-financial performances can be included in the integrated financial report or presented separately. The financial and non-financial performances can be integrated into one report which can clearly present the financial and non-financial performances in an integrated way, and their relationship as a result of that. There is a possibility to create airport by inserting the sustainability issues into the annual report. The content of the sustainability issues are usually description of a CSR project or management discussion in a concise manner. CSR sustainability report should be published in the website of the companies in order to offer information to the public. Publishing the reports on the web sites means that the company is eager to be transparent in front of the society.

4 EMPIRICAL RESEARCH ABOUT THE CSR PRACTICE IN MACEDONIAN BANKS

4.1 Presentation of Banks

The banking system in Macedonia currently consists of 15 private banks and 3 savings houses.

The three largest banks are Komercijalna Banka, Stopanska Banka Skopje (National Bank of Greece is the main shareholder) and NLB Banka (NLB GROUP is the main shareholder)

which dominate the banking system, holding together more than 60% of the total market share.

Although the financial market has undergone transformation in the past periods and the majority of the banks are owned by foreign investors, the banking sector is still fragmented. According to the data presented on the web site of the Central bank, the credit growth of the banking sector is expected to grow at a steady pace (6.8% in 2016 and 7% at the end of 2017, on the background of solid economic growth, stable expectations and adequate deposit base. It is expected that the deposit growth will be 6% in 2016 and for 2017, and is estimated to accelerate to 7.2%. The banking system remains stable, liquid and highly capitalized (NBRM website).

Macedonian financial system should implement effective corporate governance practices, which will contribute in maintaining public trust and confidence of the shareholders. Adherence to corporate governance may lead to withhold of the license issued by NBRM thus jeopardizing the banking business. This situation can discourage the ability of the bank to manage properly its assets and liabilities and provoke a deposit run and liquidity crisis. Following the decision on the basic principles of corporate governance of the banks ("Official Gazette of the Republic of Macedonia" No. 159/2007) adopting a code of ethics and other standards of "good behavior" for all employees is obligatory for the banking system of Macedonia. The Ministry of Economy of the Republic of Macedonia has the responsibility to coordinate the CSR promotion activities on behalf of the state institutions. It has a special unit for CSR promotion and provides a Secretariat to the National Coordinating Body on CSR which monitors the movement of the activities in this segment. In 2004 the UNGC was launched in Macedonia. The platform offered by this contract was adopted among many organization and banks.

Many business associations started serious initiatives for promoting CSR activities. The Business confederation of Macedonia, Macedonian Chamber of commerce, the Economic chamber, and the Faculty of Economics in partnership with AIESEC are examples of the entities that contribute to this initiative.

The government of Macedonia also occasionally undertakes legislative measures for regulating CSR practices by supplementing provisions for motivation and forcing good CSR practices.

The term CSR as part of the good corporate governance has become familiar in Macedonia's banking sector in the past ten years. Even though the initiatives for socially responsible behavior of companies are still considered rather weak in the banking sector, banks and companies play the key role in promoting CSR strategies in Macedonia. The high proportion

of micro and small enterprises in the economy are reluctant in developing a proper organizational structure of the companies with effective CSR practices.

5 RESEARCHES

5.1 Research Approach and Objectives

In order to assess the current situation of the CSR practices in Macedonian banking sector five largest banks Komercijalna Banka, NLB, Stopanska Banka, Sparkasse Bank and Halk Bank are included in the research of my thesis.

With my study I shall try to reach the following goals:

- to find out the current situation of the CSR awareness in the banking sector in Macedonia
- to find out if the biggest Macedonian banks establish strategies towards selecting, employing, developing and retaining the CSR practices
- to give review of the mostly used CSR practices
- to find out what are the established patterns for reporting CSR practices and what is the level of CSR disclosure of the Macedonian banks
- to recommend the Macedonian banks where to direct their actions and which opportunities can be reached in future

The survey was projected to investigate the present development stage of the CSR practices in the Macedonian banking sector and to provide answers to the following core research questions which are lined up with the above stated goals:

- Is there awareness for the importance of the CSR practices in the Macedonian companies?
- Do the biggest Macedonian banks establish strategies towards selecting, employing, developing and retaining the CSR practices?
- What are the mostly used CSR practices?
- Are there specific established patterns for reporting CSR practices and what is the level of CSR disclosure in Macedonian banks?
- What are the recommendations for improvement of the CSR practices that can be achieved in future?

The results from the study and the thesis recommendations intend to contribute to the raising awareness in Macedonian banking sector for implementing CSR practices and the necessity for developing them within the banks' strategies. It also aims to highlight the possibility for reaching competitive advantage and strengthening reputation of the banks. Besides this, the study presents the practices used by the Macedonian banks. The conclusions from the study based on the survey propose suggestions for raising awareness of the CSR practices as well as for a structured approach towards adopting the most common CSR practices.

5.2 Objectives and Delimitations

This study will target three main categories; CSR, CSR practice in the biggest Macedonian banks and CSR disclosure in the banking industry of Macedonia. The literature found on internet will be compared to the situation of the Macedonian banks by examining their reports, along with other information found on their websites and in mass-media.

The purpose of the study is to gather the knowledge about CSR activities currently implemented by the Macedonian banks and identify the major areas of these activities. The study also aims to evaluate Macedonian banks' level of CSR disclosure. Another objective of the thesis is to highlight the awareness of the CSR of the employees in the banks in Macedonia.

To sum up, this thesis will consider the engagement of particular banks for the implementation of CSR and disclosure practices. The thesis objectives are to motivate the banking industry to treat CSR programs within their strategy and to approach toward CSR disclosure and reporting practices providing numerous advantages of CSR. The scope of this research will be limited to commercial banks. All the presented information is collected from the annual reports which can be found on banks' web sites which will be also scrutinized. The data collected for the analyses shall be compared to the theory and literature. The reporting in Macedonian banks is in its very early stage so CSR measuring is qualified as difficult because it is also in initial phase. Companies need to provide actions in what way it should be measured on condition that certain guidelines and instructions are put into practice. Delimitations of the study include the fact that only the websites and annual reports of the banks will be used.

Regarding the financial sector in Macedonia the disclosures are generally separated in two categories; the voluntary and the mandatory ones. The table below shows it clearly:

Table 2: Obligatory and Mandatory Reports for the Banking Sector in Macedonia

CSR Reporting in banking sector	Category
Basel accords	Mandatory for financial reporting
OECD	Voluntary
GRI Guidelines	Voluntary
GRI Guidelines for financial sector Supplement	Voluntary
UN Global Compact	Voluntary
AA 1000 Standard	Voluntary

5.3 Methodology Definition

The research for this thesis is empirical, based on a qualitative survey in the first stage and a quantitative survey in the second stage. Normally, I started with the qualitative survey and I used a semi structured questionnaire (Appendix A) which will provide deeper analyses. Interviews and documents are primary data and are important part of qualitative studies. Since the qualitative analyses provides deeper perceptives of the circumstances in which CSR has to be understood, the interview was not given to a large number of interviewees. The respondents were carefully selected in order to receive answers which will clarify the research questions.

I decided to use anonyms because all respondents are well known managers in the banks, except one respondent who is a coordinator of the Red Cross in Macedonia.

The overview of the interview questions is the following:

- At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?
- Do the biggest Macedonian banks establish strategies for the CSR practices?
 - If yes: Please describe the process of developing and adopting the strategy.
 - If no: Please explain the process of deciding for the type of CSR activities that are undertaken.
- How does your bank initiate and decide for the CSR practices?
- How do you monitor and evaluate your CSR practices?
- What transparency and accountability practices does the bank use regarding the CSR practices?
- Which standards are applied in the methodology of CSR reporting?
- Do the banks disclose any financial information in their CSR reports?
 - If not: please explain why?
- What kind of benefit will the bank gain by implementing good CSR practices?
- What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

The quantitative survey was applied internally among employees of a bank.

The structured questionnaire (Appendix B) aside from the introductory part consists of four sections of questions. The first part consists of questions which identify the awareness and importance of the CSR practices in the Macedonian banking sector.

In the second part the questionnaire refers to the strategies which are implemented for selecting; employing, developing and retaining CSR practices in Macedonian companies. The

intention of this part is to assess the organizational knowledge of the CSR practices in relation to the overall company's strategy. It raises questions of the existence of a strategic approach to the applied practices, which positions CSR subject related to the organization, the decision making process and the structure of the organization.

The third part includes a question in order to identify the existence of some practices which are usually part of a typical CSR practices in the country. The question identifies commonly defined practices for CSR activities regarding community, employees and environment.

Part four consists of set of questions, subject of the survey that deals with the established practices for reporting and disclosure in the Macedonian financial sector.

The quantitative survey should have been a verification tool of the results and observant of the qualitative survey.

5.4 Research Processes

Collected data can be grouped in two categories; primary and secondary. Interviews and documents are primary data and are important part of qualitative studies (Strauss & Corbin, 1998). Main data of this research is primary data received through the interviews. This is a qualitative research and the aim is not to have a significant majority of opinions of how CSR is understood, but rather to get answers that enlighten the research questions. The interviews were used to create better understanding of the subject. It could be interesting to use real names because of the status of the persons but I decided to leave them anonymous.

Regarding the secondary data they were received from various sources; literature, articles, data bases, websites, newspapers and radio news.

I chose the deductive perspective to analyses. The thesis starts with theory as a ground to the later analyses.

According to Saunders (2009, p.482) three main processes may be used for the analyses:

- Summarizing or condensing meanings,
- Categorizing or grouping the meanings and
- Structuring or ordering the meanings using narrative.

All three processes were used in the analyses. The first two were used mainly for the quantitative analyses and the third one for the in-depth interviews. I analyzed the interviews answer by answer and easily perceive the most common answers. Analyzing the collected data facilitates the understanding of the different pieces and helps to form a big picture about each issue. Analyses are not only about the picture but it helps in answering the research questions and the purpose of the research (Strauss & Corbin, 1998). After the interviews I

evaluated and compared the answers and matched them between the respondents and with the concepts and main research questions of the thesis. Trends emerged from the answers when narrowing down relevant concepts. The narrowed concepts developed in patterns that evolved into conclusions.

5.5 Limitations

The qualitative survey was supposed to be conducted with the decision making employees of the bank. The attempt to initiate more than 20 interviews resulted into 7 interviews. Due to the time constraints not all interviews were conducted in the same way.

Data acquisition was a rather complex process, not in terms of time consuming activity but more because the banks work as closed systems subjected to internal and external regulations that do not allow easy communication with the employees. As most of the data was collected in August and September, due to the summer vacations it was even more complicated to reach the interviewees.

Regarding the quantitative survey, the first problem that I faced with was the attempt to make full-sized quantitative analyses over the five big banks. The total number of employees in the targeted banks is over 3500, but due to the resources restraint I was allowed to carry out the quantitative analyses in one bank only and I received feedback of 153 respondents. Therefore relatively small number of employees was included in this analysis.

5.6 Data Acquisition and Sample

For the qualitative survey, I was aware that 10 interviews is the minimum recommended number for the exploratory research (Ulaga & Eggert, 2006, p.598) but in my case it was not possible. I contacted more than twenty possible interviewees. Some were my personal contacts and others were informed about the interview through LinkedIn. The interviewees were informed about the purpose of the interview and they were all sent the questions prior to the actual interview. By doing this, I considered that they can have time to prepare themselves for the interview and improve the quality of the answers (Bregar et al., 2005). Finally, the total number of participants consists of 7 carefully selected interviewees. Six of the interviewees are managers from the banking sector and one is a representative from the NGO sector who has a long experience in the area of CSR, specifically in conducting CSR partnership projects with banks. Two interviews were taken in person and the other five were telephone interviews. They were recorded and later transcribed by receiving participant's consent. The interviews were translated into English for the purpose of this thesis. All respondents followed up with a mail confirming their answers. The received answers were remarkably shorter than I expected. During the interviews, the respondents supported their answers with a lot of examples from their experience while in the written confirmation; they sublimed the contexts in a shorter

version. All answers will be structured and the content shall be delivered in a narrative way (Appendix C).

Regarding the external CSR communication of the analyses, the coordinator from the Red Cross is the only respondent that does not belong within the group of bank employees. At this point I expected to have complete information and a general overview of the situation in the banking sector necessary for the qualitative analyses. The structure of the interviewees consists mainly of managers and the majority of them are marketing Managers. Only in one bank the issue of CSR was a responsibility of the HR sector according to the bank's organizational scheme. The table below gives an overview.

Table 3: Overview of the Participant Banks in the Qualitative Survey/Interviews

Name of the bank - per their size	Interview	
Komercijalna Banka Employees over 1000	Interview A Interview F	Conducted in person Member of the Board of Directors
Stopanska Banka Employees over 900	Interview E	Marketing Manager
NLB Banka Employees over 750	Interview C	Marketing Manager
Sparkasse Banka Employees over 350	Interview B	Marketing Manager
Halk Banka Employees over 300	Interview D	HR Manager

The quantitative survey was conducted by a questionnaire. Due to the fact that the surveyed banks belong to the group of the largest representatives in the industry with employees' headcount from 250 and in one case over 1000, where CSR management system makes sense due to the size of the banks, the questionnaire was intended to be submitted to employees within the bank via mail. This approach is expected to give an overview of the internal CSR communication within the banks. I have submitted the questionnaire for the qualitative survey to all banks included in the survey but only one of them accepted to be part of these analyses. The bank delivered to me the results and required staying anonymous. Total number of employees who received the questionnaire was 700 but 153 had the time to answer all the questions. The banks that refused to participate in the survey explained that all external materials which involve business issues have to be approved by the Board of Directors. Unluckily, they also apologized with the excuse that the employees are too busy with their regular work and this kind of activity would destruct their attention even though the questions

are closed and very precise. The only bank that delivered their answers will be treated in this thesis as a case study of a single bank and the results shall be given lined up with the conclusions and findings from the interviews.

5.7 Data Verification

Bearing in mind that almost all banks have refused to participate in the quantitative survey, and the number of the respondents was relatively small, the quantitative survey results were used only as a supplement to the final findings of the qualitative results which enabled me to draw conclusions on the previously mentioned objectives.

6 RESULTS AND FINDINGS

6.1 Results Presentation and Findings

Starting research question and one of the main concerns of this thesis is the awareness for CSR practices in the Macedonian banking sector. Following the answers from the conducted interviews the respondents can be divided into two groups. The big majority of them belong to the group that claimed that the level of awareness for CSR management in the Macedonian banks is medium to low. Only one of the respondents answered that the level can be classified as high. All other consequently belong to the other group. The respondents think that not only in the banks, but generally speaking, this concept is misunderstood in many ways. The example given by the interviewee A shows it more explicitly:

“There are companies in Macedonia which correctly understand the meaning of CSR, in its true sense. But there are also many other companies, mostly the industrial companies, which through their business harm the society. Consequently, they undertake CSR projects to fix the damages they make and receive an award for this kind of responsibility. Actually, they are legally bound to conduct such measurements. For example, if one company pollutes the air, they logically take corrective measurements and install cleaning air filters. Through these actions they represent their company as a socially responsible one, apply for recognition and receive national awards for best CSR practices”(Interviewee A).

The same was confirmed by the Interviewee G who is a banker with a long tradition in the banking sector. In his opinion not only the employees but also the management misunderstood the concept of CSR. On their CSR committee sessions they have conducted long discussions on this topic, where there are always two major groups that confront each other. The first is pro implementing CSR activities and the other is against.

Actually throughout all interviews the question of cost vs. value was the main issue of concern. Cost represents one of the biggest arguments against adopting CSR as a policy. The

fact that there is no clear evidence that adhering to a policy of CSR generates a significant increase in sales or profit is the intangible power against CSR. So like the iceberg, most of the CSR benefits are invisible. The interviewee pointed that CSR in his bank is always discussed as a win- win activity. But who wins is the answer that is not well understood. Especially in the banking sector where the profit is the main, top point on every agenda.

“To take the example of simple corporate philanthropy, when banks adopt CSR practices they are giving away their shareholders money, which they can only do if they see potential profit in it. Of course, this happens because they want to improve their image by associating themselves with a cause, but there has to be always fundamental financial motive beneath” (Interviewee G).

Sometimes banks practice CSR through sponsorship and donations which is not the right way of understanding the concept because sound CSR practices involve more than just a financial aspect.

Following the organizational schemes of the banks in the survey, we can conclude that CSR activities are under the responsibilities of the marketing or HR department. Even 3 interviewees were given by the marketing managers in the qualitative survey.

“I consider that the CSR concept in our country is generally perceived as a marketing activity” (Interviewee A).

One of the respondents believed that the awareness for CSR management is at a very high level in the banking sector as the banks put in place a social CSR committee, practices and policies for analyzing requests or generating other CSR in-house projects.

Nevertheless, most surveyed banks are members of an international Group and they may implement the know-how practices of the banks in the developed countries. Actually they are monitored and assisted by their mother banks but still there is a need to improve the implemented practices.

“Although we are trying to follow the best practices of our mother company, we implement CSR projects which still need to be upgraded and complemented in order to keep up with the projects practiced in the developed countries” (Interviewee B).

Large banks in the country develop CSR strategy which is assigned specifically for CSR activities and this CSR strategy is usually part of the general corporate strategy of the bank. A stand alone CSR strategy has not been implemented and created within the scope of the banks of this survey. This means that a strategy with all its elements has not been developed yet.

Under elements the following items are considered:

- analysing the needs
- objectives
- finance/budget
- monitoring and evaluation of the strategy.

The survey provided evidence that very few companies in Macedonia are on the way to provide strong CSR strategy. The interviews with the managers provided that many Macedonian banks are at their very first step of the organizational evolution without having established personnel for the CSR activities. All banks have incorporated the 10 principles of the UNGC within their corporate strategy and they all have established CSR coordination body which organizes and implements CSR internal and external activities of the bank.

“Following the global practices, we started developing CSR strategy. The strategy is established and it is checked on a yearly basis. Following the needs for adjustment of the strategy in accordance with the activities, we make the necessary amendments into the strategy. The strategy covers all the provisions of the UN Global contract, but some of the provisions are given special attention. The internal and external CSR activities are both part of our strategy which means that we pay equal attention to both of them. Although we abide to the 10 principles of the UN contract, for the ones that are most practised, we give a more detailed description in the strategy. We usually determine total budget for the CSR activities in advance and we structure and use it afterwards according to the activities.” (Interviewee A)

Most of the respondents agreed that CSR strategy is tightly bound to the marketing and HR strategy.

“The awareness for CSR has been steadily and slowly managed in the past years. The process of deciding depends mostly on the marketing strategy and HR company policy. So managing the CSR practices is part of the core business strategy of the bank but it is realized through the parts of the strategic planning that refers to the marketing and HR strategy activities” (Interviewee C).

Banks that are members of Groups have bigger assistance and monitoring over their strategies.

“We are supervised by the Group for all our activities. Here in Skopje we do not have stand alone CSR strategy, while our mother bank has such a strategy which we struggle to follow” (Interviewee B).

Banks have to prepare CSR strategy in order to ensure that CSR activities are not undertaken based on the personal or some persuasive causes who convince the company to support their

distinguished standpoint. CSR matters usually costs the company money, so all the activities related to CSR have to comply with the values and beliefs of the company's owners and shareholders. This brings us to the fundamental understanding of CSR which means a long-term success of the business and its strategic positioning.

One interesting example of the strategic management was given by Interviewee D.

“If a bank uses CSR budget for educational purposes and educate young people in ‘financial literacy’, the bank might be indirectly reducing non-performing loans and also gain future clients and build healthy portfolio” (Interviewee D).

All respondents of the interview agreed that banks accept the broad vision of CSR but there is still poor coordination and a lack of logic connecting their various CSR programs. The respondents pointed out that numerous activities have tout the increased involvement of the employees but often lack prudent strategy and run activities in an uncoordinated way. In order to maximize their positive impact on the society in which they operate, banks must develop coherent CSR strategies. This should be the first task of every CEO and board member of the banks.

The **Interviewee A** stated that CSR activities go beyond compliance with the law and regulations although they respect them. The key issue is that CSR is active, voluntary activity. When a company starts CSR managements it cannot stop. This is along term commitment that has lasting impact on the company.

The banks have initiated CSR activities as far as their establishment in Former Yugoslavia. The concept was recognized under the title “radna akcija” . So, lately when the CSR strategy was conceptualized, banks did not create something new in their strategy, but they canalised the practices that have been used for so many years before. What was new, was the challenge how to find and to choose the right CSR practice. Practice shows that Marketing section usually sets the initial proposal to the Board of directors. Recently many banks established CSR Coordination body which usually undertakes the initiatives for CSR practices.

Banks play significant role in implementing such practices. After analyzing the CSR practices within the banks in Macedonia, we can conclude that their activities are divided into four categories: environment, education, social, and art and culture. Non business CSR activities predominate over the activities integrated into the business. The activities integrated into their business are not predominant in their strategy in the past two years.

The table below shows the activities of the examined banks in the last two years as per data obtained from their web sites:

Table 4: CSR Practices of the Analyzed Banks

Analysed banks	CSR Practices				
Bank	Shareholders structure	Strategy	CSR Reports	Activity integrated into the business	Non-business activities
Komercijana Banka www.kb.com.mk	Free float 81.7% EBRD 5.3% East Capital 13%	Coordination body Strategy for CSR until 2016	Within the Annual report 2015 -Incorporates the 10 principles of UN Global Compact: Human rights, labor, environment and anti-corruption principles.		Projects: Better socialization of children and juveniles with special needs (Red Cross). Economic strengthening of rural women and of female victims of domestic violence. Sponsor of the new album of the group "Beni@NonStop" supporting culture and art. Sponsor of the magazine Premin_national & cultural issues
Stopanska Banka www.stb.com.mk	NBG Athens 94,6% Other 5,6%	Corporate Governance Code	Within the Annual report 2015 - Incorporates the 10 principles of UN Global Compact	Sport games for the employees	Sponsorships and projects: Rising CSR public awareness aimed for children, Beer fest Prilep, Donation of food for socially endangered families, Ohrid Summer Festival, Strumica Carneval,Eco project Trash festival, Tree of Happiness, University St Cyril and Methodius, Donation at Childrens' Hospital Skopje
NLB Banka www.nlb.mk	Nova Ljubljanska Banka d.d. Ljubljana is strategic shareholder with 86.97% of the Bank's total capital	Incorporated within the Strategy	Within the Annual report 2014 - International Declaration for human rights	Pension fund for the employees, Internal School, Art Gallery within bank, Sport games	Donation of gallery space 13 exhibitions in 2014, partnership activity (Red Cross) for Children with cystic fibrosis
Sparkassebank www.sparkasse.mk	73% Steiermärkische Verwaltungssparkasse, 25% Erste Bank, 2% Employees	Incorporated within the Strategy	Within Annual report 2015		Daily Center for Treatment of People with Autism, ADHD and Asperger's syndrome, Red Cross of Skopje City organizing blood donation, SOS Detsko selo for support of parentless children and children, "Recycling – SAY YES!" in cooperation with Pakomak Company to raise awareness for environment protection
Halkbank www.halkbank.mk	98,8% Türkiye Halk Bankasi Ankara	Incorporated within the Strategy	Within Annual report 2015	Sport games for the employees	Sponsor of the Maceonian Basketball Representation, supported educational programs and children without parental care

- Business integrated activities are:
 - Helping disadvantaged clients to use banking services/ products for clients with special needs

- Involvement and ethical treatment of stakeholders
- Providing financial support to social enterprises
- Developing basic principles of financing sensitive sectors
- Combating money laundering and corruption.

Above table shows that CSR activities integrated into the business of the bank are implemented by three banks. All other CSR activities are committed to non-business activities.

As it is evident from the table above the banks established internal CSR coordinative body which coordinates the CSR project planned within the strategy. CSR coordinative bodies initiate the process and together with the upper managers or the CEO decide and approve the projects.

“Internal coordinative body is established within the Bank. It holds periodical internal meetings and then reports the agenda of the meetings to the upper management for the ongoing practices and future possibilities. Upon review of the submitted reports, the high management structures assess the past undertaken activities and decide for their future implementation and introduction of new ones.” Interviewee D

In preparing their initiatives the internal CSR coordinative body of the bank considers the following responsibilities:

- Builds a team which is competent and has authority to carry out the company’s CSR strategy and sustain it over time.
- Analyzes all present activities that the company is currently performing.
- Selects and proposes new activities. Once the activities are selected, they are separated into categories according to their priorities. In order to identify the different activities, the body assigns the responsible employees which make it a true team effort. In this stage the employees can be included in the decision making processes.
- Ensures that the activities contribute to improving the business of the bank in order to make the CSR activities part of the banks' strategies.
- Communicates the plan internally in order to earn true support among employees because reliability of the employees is crucial for the successful accomplishment of the projects.
- Communicates the plan externally and keep the public informed for all newly undertaken activities.

During the interviews almost all respondents mentioned that the employees are the extremely important factor for performing successful CSR projects both in implementing and deciding on the initiatives. They have also concluded that on yearly basis the interest for participating in the projects is increasing.

Banks which are part of large banking systems precede the initiative for approval of the plan on a Group level.

“Our bank is a member of a Group and follows the principles and directions of our mother bank. For us, CSR activities are part of the strategic management framework on a higher level. Our practice is to report and discuss the initiatives on a Group level and the consensual attitude is approved on bilateral level” (Interviewee B).

Most of the banks that are members of international Group pointed out that despite their own projects; some projects were realized in partnership with NGO organizations.

They are absolutely positive that International NGOs' specialized in aid and economic development acknowledged the value and importance of partnership between sectors in promoting sustainable development. They presented interesting examples of many examples of partnerships between NGO- businesses that have outstanding popularity such as the Coca-Cola Company's partnership with World Wide life Fund (hereinafter: WWF) to help protect the world's most important fresh water rivers or McDonald's partnership with the Environmental Defense Fund to reduce the trash and waste in the society. Such examples exist in Macedonia and almost all banks have experienced partnership projects with the Red Cross. Partnerships can play a positive role in enhancing the quality of company's CSR policies as part of their corporate strategy.

“Positive incentives that could impact the business in partnering with NGOs can be seen especially when focusing on the long-term benefits.

When CSR activities are in question public trusts NGOs more than it does companies. So sometimes the new initiatives of the CSR projects are discussed and decided in coordination with them.” Interviewee E

General conclusion from the answers of the interviews is that the banks are mostly engaged in the community projects. They all presented examples of the most frequently supported projects which are usually social programs. Most of them are intended for help of the physical and psychological disabled population, orphans and homeless children. The projects that support health and educational programs are also important when deciding on the new initiatives that a bank will undertake. What is interesting is that banks are inclined to support cultural events such as festivals, exhibitions and other similar events. Macedonian banks do not decide to provide CSR initiatives for the environment issues. Only few of the respondents claimed that their bank has organized a project for helping the problems concerning environment.

The activities concerning employees are associated with projects planned for sport activities for the employees and they are focused on organizing sport matches and tournaments among banks. Schooling projects are also realized for the employees of the bank.

The respondents of the interview answered that almost all banks do not evaluate their CSR projects and practices because it is difficult to do that. They usually evaluate them through discussions or narratively. Quantification has not been applied by any bank but all of them make SWOT analyses. Sometimes Balance score cards are used for performance metrics. But it is hard to measure the non financial performance. They usually prepare reports which contain details from the executed project and evaluation of the goals which is further submitted to the top management of the bank. Some projects that are executed in partnership have more detailed reports as the partners usually present their evaluation reports and then the reports are matched within the units of the bank.

“We organize meetings before the start of the activities and a final meeting when we compare the analysis and when some lessons are learned” (Interviewee G).

Implementation of activities related to CSR of the bank directly relates the transparency and accountability. In compliance with the internal acts of the bank, banks prepare yearly and semi yearly reports for the conducted CSR activities. The semi-year reports have internal character, while the yearly are published on the web site and also on the web site of the UN Global Contract. The content of the activities of the projects is also contained in the Annual report of the banks and the business plan which concerns future planned activities of the banks. Banks practice to make PR announcements in the local newspapers for their CSR projects. Additionally, banks publish information for the conducted sponsorships and donations as part of the CSR activities.

In case of partnership this implies three directions: from banks to partners, from banks and partner to target groups and after finalization of the project from the partner to the bank.

”All important issues for transparency and accountability are agreed prior to the initiation of activities. Project plan, timeline, selection, budget, reporting issues and SWOT analysis are predefined elements for a successful realization of the activity. All activities are transparently presented on the web site of the bank and our face book fun page. We also practice PR announcements prior or during the related CSR activity” (Interviewee G).

Reporting guidelines and standards serve as frameworks for accounting, auditing and reporting. These frameworks and initiatives uphold transparency regarding management strategies and measurable actions.

As a matter of fact the issue for the standards and control of the CSR reports was the most difficult to answer. The respondents did not know all the principle standards which can be used in the methodology for CSR reporting. Five of them responded that their bank does not apply any standard in CSR reporting and one did not answer this question. In principle they all commented that under methodology of reporting they understand the narrative reports that they prepare over the implemented activities and they stated SWOT analyses as a standard which completes the information in reporting the activities.

“No standards for reporting are implemented in our CSR practises. We have so many standards stipulated by the central bank and legislative, so no other activities for reporting are undertaken because the resources are over occupied with reports required by the central bank.”

Interviewee A

One of the respondents was well informed for some of the relevant standards and guidelines.

“As far as I know the UNGC, OECD and ISO standard are applied by some industries and in the banking sector as well. But as they are optional and not requested by law their implementation is still in early stage. Also CSR cannot be audited because there are no obligatory standards for control that can be applied.” Interviewee G

The discussion that followed comprised the following reporting standards:

- GRI
- UNGC
- OECD Guidelines on Multinational Enterprises.
- ISO as a non-governmental network of national standards.

The AA1000 Series developed by Accountability, which promote accountability for sustainability through social and ethical accounting, auditing and reporting, where completely unknown for the respondents. But they mentioned that many of the standards can be combined with the GRI Guidelines.

Quantitative survey of this topic made it clear that the banks distinguish two key types of CSR reporting operated by their CSR committee or marketing section, which comprise mandatory and voluntary reporting. Mandatory reports include donations, consultations for the employees and more. On the other hand, voluntary reporting is regular but not obligatory by the law. CSR is “a socially constructed value, and legitimacy is a core principle both for defining CSR and for determining the success of CSR activities” (Lee & Carroll, 2011, p. 117) but as the reporting is not bound to any Macedonian regulatory obligation, suggests that the real objective of CSR activities is to gain public acceptance of the corporation’s right to exist as a socially responsible entity.

“We do not disclose any financial information about our CSR activities. Exceptionally, we disclose it when we apply for some special CSR projects where we quantify it explicitly. Although in some cases it is very difficult to calculate the financial information for certain CSR activities. We made a specialized program for the blind children and it was very difficult to quantify it and calculate the financial information and the results. We outsourced IT specialists and paid them per hour, so the process for calculating became too complicated that we agreed not to disclose the financial information” (Interviewee A).

The financial information for the performed or planned CSR project is disclosed only within regular standard internal reports to the managers, shareholders and state institutions require this kind of information.

All comments of the interviewees about the benefits by implementing CSR practices can be summarized in the following points:

Loyalty - Loyalty of the employees implies better motivation for increasing their productivity. One of the interviewee gave example that his employees, after a successfully finished projects, claimed that a job where they can make an impact is important to their happiness. Having the opportunity to be a part of a certain CSR project aside from the usual working responsibilities can contribute to training new skills that could also be useful for their regular work. The employees can become passionate about some new perspective of their interest which may contribute to the growth of the personal development of the employees. Achievements of the CSR make the employees feel proud of their work and have a positive attitude towards their company without having desire to look for another job. On the other hand a lot of people would appreciate to be part of this team and they would certainly apply.

Positive public awareness - A good CSR policy of a bank will bring itself publicity; the media will notice the efforts and contributions. Media will play important role by publicizing the activity for all to hear and see and to motivate others to follow the example and do the same. This can create benefit for the companies. They do not need to set aside big budget for marketing and pay for expensive campaigns but use the word of a mouth and the help of the media to gain free publicity.

Good reputation for the bank - As a result of the positive public awareness banks will gain good reputation. The customers and employees would recommend the bank to others. Being included in CSR projects makes the company’s products and services more attractive and gives the clients confidence that they made the right choice.

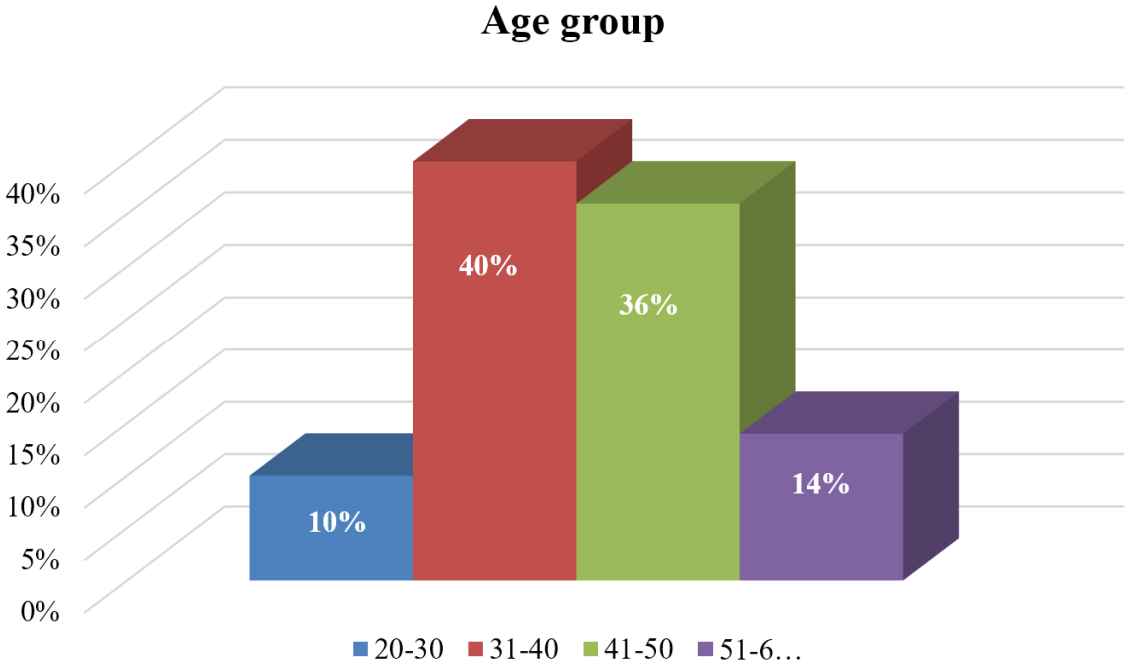
Establishing good relations with the local government - CSR strategy can convince the government that the company has a serious approach towards toward social issues and safe and healthy environment.

Differentiate the bank from the competitors - Successful CSR practices differentiate the bank, expand the business and increase the market share which leads to growth of the bank.

Bigger and easier access to big clients and retail clients - Positive public opinion for the CSR - projects of the bank is spread easily in the business society and widely in the community and will provoke the big clients and retail clients to get interested in the products and services of the bank. If the clients are satisfied with the CSR improvements of the bank, they will be interested in using more products and services and most likely they will not consider changing to another bank. Strong CSR strategy maintains trust between the existing clients and brings new clients too.

Innovative thinking for new products and services related to the society. The CSR projects enable the banks to have a direct contact and to figure out the needs of the society. The quantitative survey was implemented on only one bank. The bank is among the well ranked banks in the country with more than 700 employees. Most of the answers of the questionnaires were received by the female employees of this bank with ratio 70% female vs. 30 % male. The age structure of the respondents is given below:

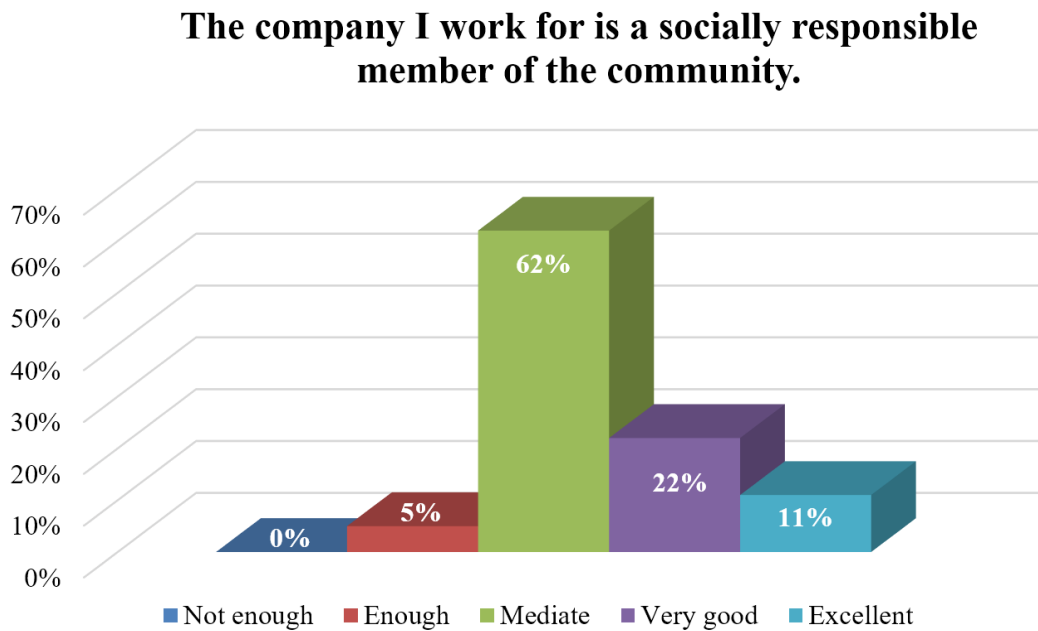
Figure 8: Age Group of the Participants in the Quantitative Survey



Most of the participants, 65% out of 135 respondents, have bachelor’s degree and 93% of them are officers in the bank.

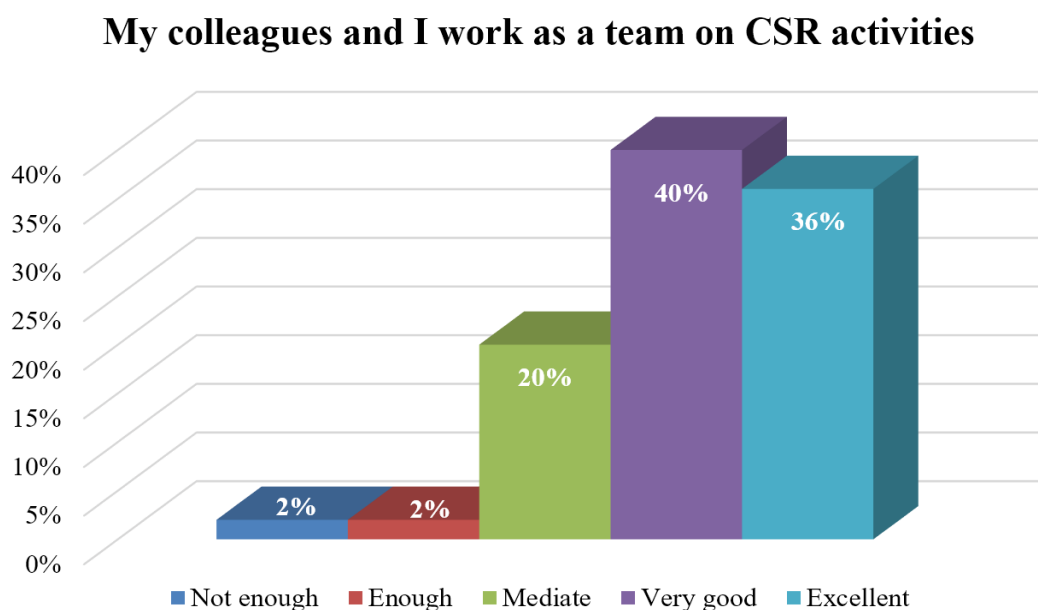
One of the main issues tackled in the thesis is the CSR awareness. Quantitative analyses show that 62% of the employees in that bank consider that their bank is a socially responsible member of the community and the same percentage willingly take part in these activities.

Figure 9: CSR Awareness of the Participants in the Quantitative Survey



The employees from the case study consider themselves al loyal and are willing to contribute to the CSR projects as a team work which enables them to strengthen the relationship with their peers.

Figure 10: Team Work of the Participants in the Quantitative Survey



The CSR awareness is at a satisfactory level when the employees of the banks are in question, but they should be educated that businesses should not only make a profit, obey the law but to go beyond these activities by implementing the strategy of CSR. They should make distinctions of the components that are integrated in the concept of CSR such as: economic, legal, ethical, and discretionary expectations that society anticipates from the organizations. The employees would rather voluntarily join CSR activities of the bank regardless of the expectations of their managers. 55% of the respondents would do that on mere voluntary basis without expecting any returns.

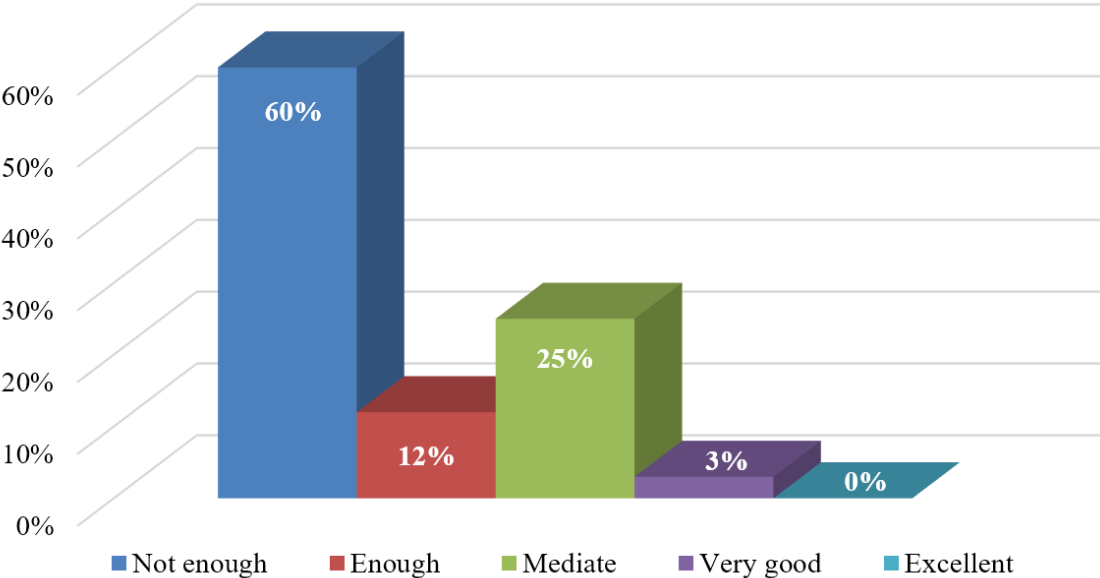
The quantitative research shows that the employees are familiar with the fact that their bank puts apart budget for supporting the CSR strategy.

The survey shows that the banks have established separate CSR committees but they do not function with a CSR manager in charge of the responsibilities of the committee, but the committee is organizationally usually under the Marketing department.

Even though employees willingly participate in the CSR activities of the bank, most of the employees feel like they lack the possibility to initiate and suggest ideas.

Figure 11: CSR Initiatives of the Employees, Participants in the Quantitative Survey

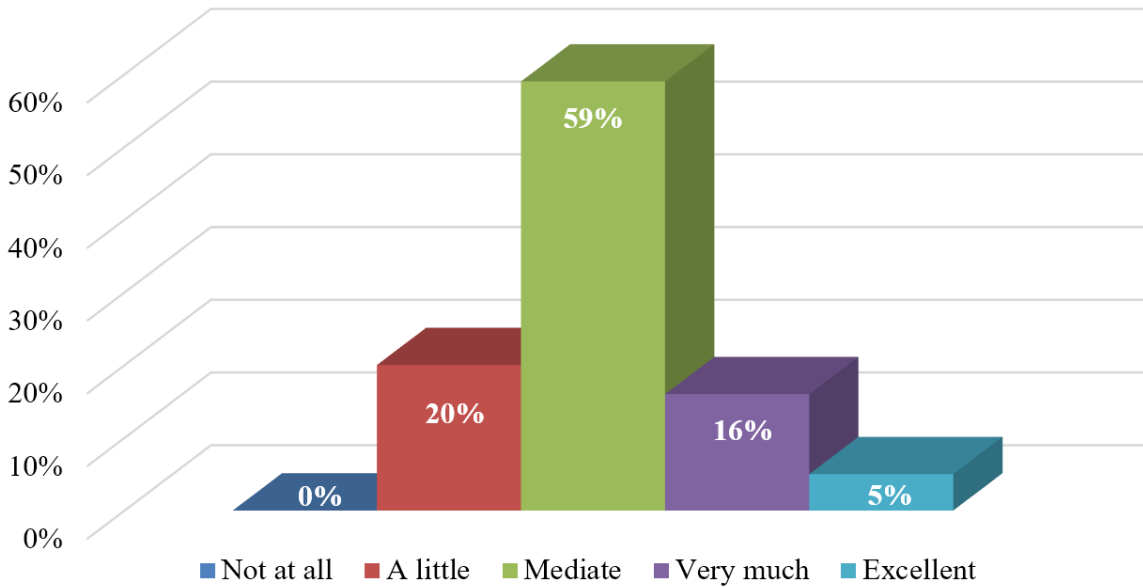
My colleagues and I have opportunities to suggest CSR activities.



Despite of the fact that the quantitative survey shows that employees do not consider themselves enough involved in the decision making processes for the initiative of the CSR projects, they are positive and think that this kind of activity is important for their bank and contributes to strengthen the team work and constructive relationship amid employees.

Figure 12: CSR Activities of the Company

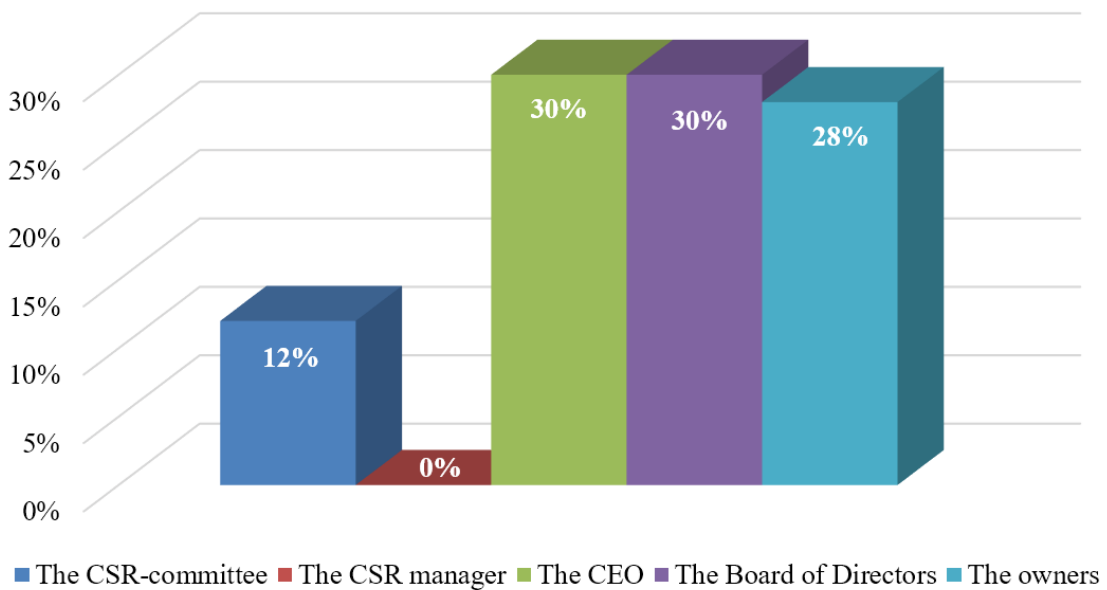
Volunteer CSR activity is important for my company.



The real decision makers for CSR requirements are not the CSR committees which operate within Marketing or HR department but the top management and the stakeholders approve the proposals.

Figure 13: Decision Making of the Participants in the Quantitative Survey

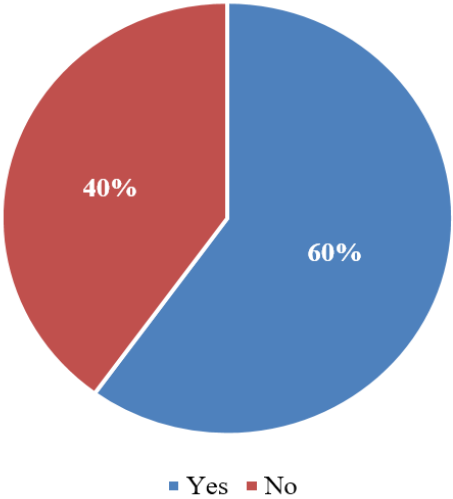
In our bank, the top CSR decisions are made by:



Following the results from the quantitative survey, it can be concluded that CSR issues are usually point on the Agenda on the managers meetings.

Figure 14: Permanent Interest for CSR

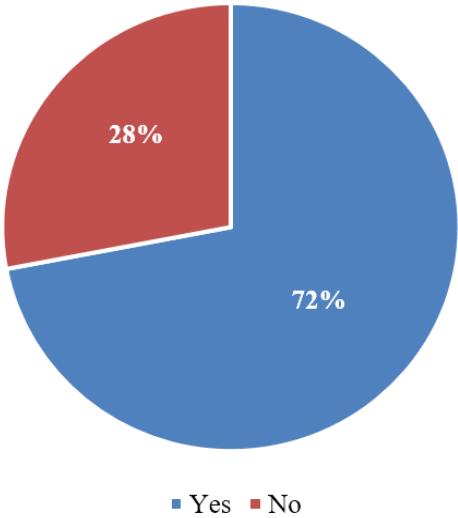
Our bank has CSR as a permanent point on the agenda for our Board meetings.



But not all CSR practices are part of the strategy, the survey shows that the bank is practicing ad hoc, event driven activities too.

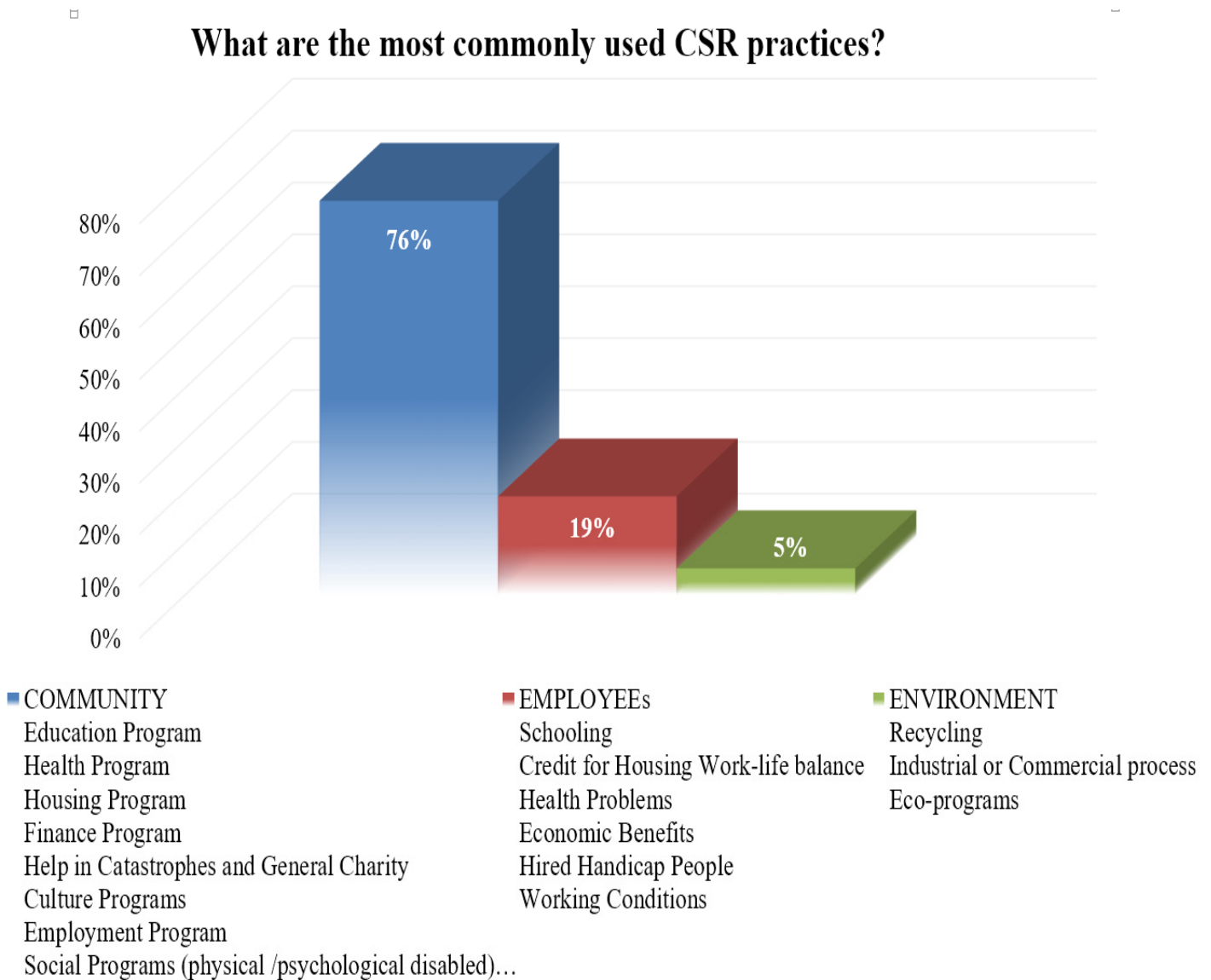
Figure 15: Event Driven/Ad Hoc CSR Activities Environment Activities

Our company communicates CSR when a special event makes it necessary (event driven).



The bank that was surveyed practiced mostly CSR programs that refer to the community but they also take care for their employees as a part of their CSR strategy. The programs for the employees include schooling, health care and pension saving. Only 5% of the CSR activities are related to the environment.

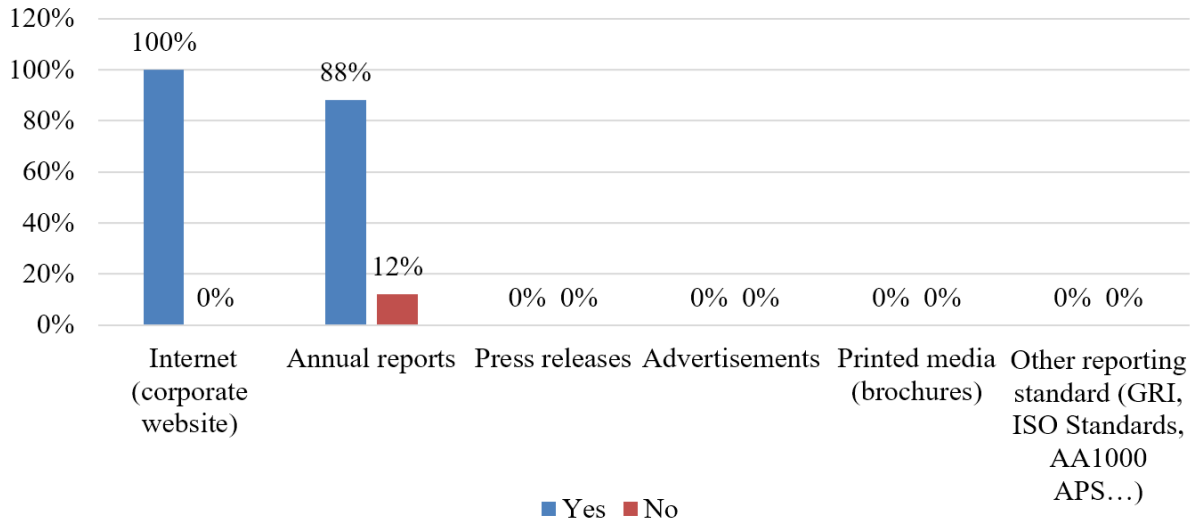
Figure 16: Mostly Common Used CSR Practices



The quantitative analyses shows that the bank reports their CSR activities on their web site and within their annual reports.

Table 5: CSR Reporting

Our bank communicates our CSR activities in a traditional fashion by:

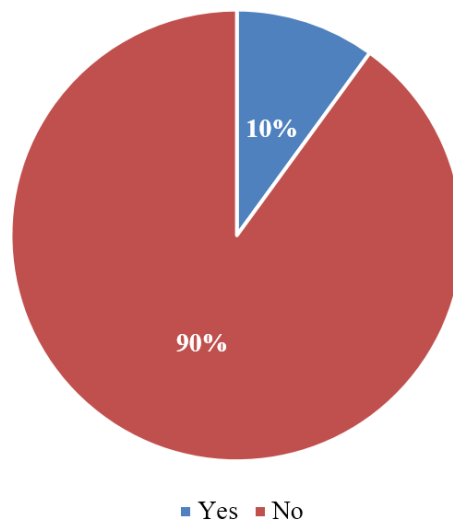


90 % of the respondents decided that their bank is mostly communicating CSR activities on FB and the rest on other social media (Twitter, You tube, Company blogs/Intranet).

Regarding the standards for reporting, the quantitative survey proved that the employees of the bank are not aware that such standards are applicable for the CSR practices and they are sure that no such standards are applied:

Figure 17: Quality Reporting Standards

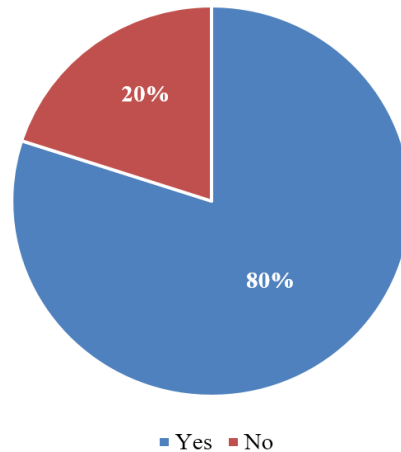
Your bank has successfully implemented one of the quality reporting standards (ISO standards) (UNGCS) (OECD) (GRI standards)



The respondents of the interview consider brand reputation may be improved by CSR reporting.

Figure 18: Brand Reputation and Brand Management

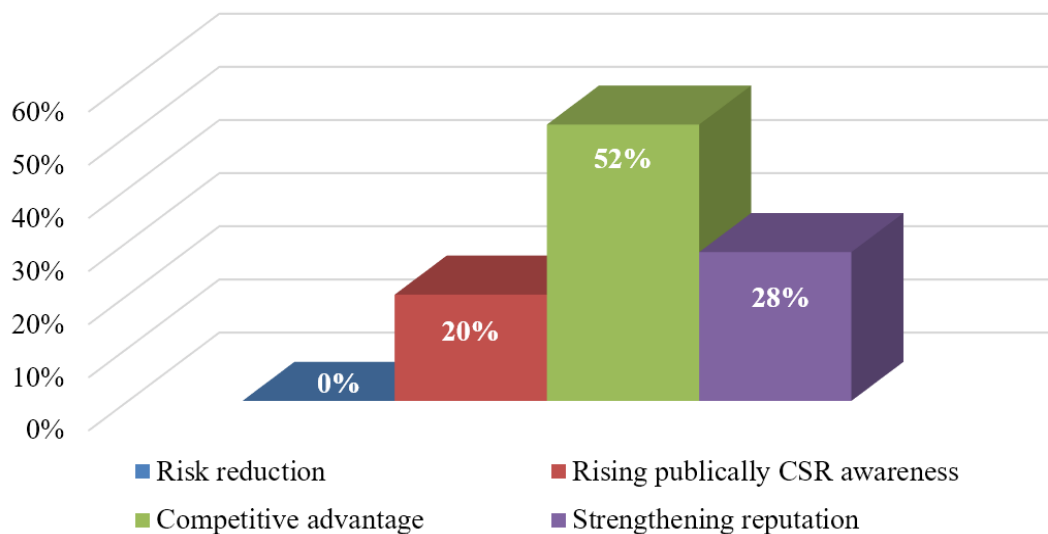
Do you think that CSR reporting would be important for your brand reputation or brand management?



But regarding the motivation for publishing CSR reports, the respondents do not put reputation on the first place, but the survey discloses that employees are more concerned for the competitive advantage of the bank.

Figure 19: Motivation for Publishing CSR Reports

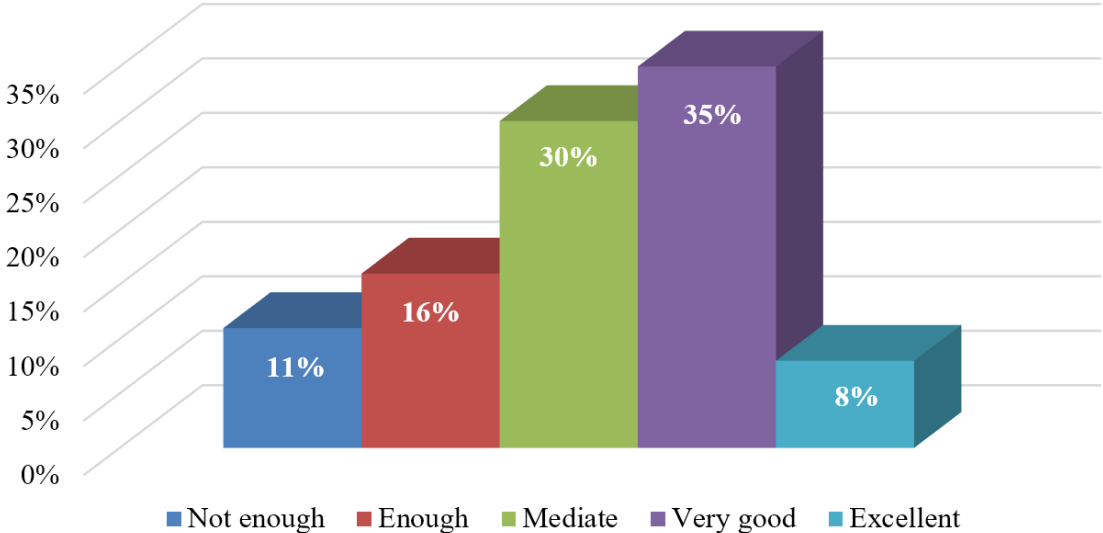
What is the main motivation for publishing CSR reports?



On the other side the respondents of the quantitative survey responded to the general question of the reputation as a benefit for their bank as bellow:

Figure 20: Reputation among Customers

Our company has an excellent reputation among our customers.



The role of the CEO and the management is very important in the rise of the awareness among the employees. It is obvious, that the current status does not encounter or emphasize the importance of CSR management in the Macedonian banks.

They need to advance the current level of proficiency by following the global trends and developments concerning the CSR practices, investing in the society, environment and human capital which proved to be efficient and beneficiary for the companies and the society. Once such projects provide success to the banks, the word of a mouth will be spread and the demand for the products and services of that bank will increase.

The companies that feel the necessity to implement CSR practices should assess the important cause where to focus their efforts and adjust the measures they want to undertake. An employee focused culture of the bank is one of the sustainable ways for continuous contribution and development of the company in the society as well as gaining competitive business model.

According to the qualitative and quantitative survey the level of awareness for the importance of CSR management of Macedonian banks was conceptualized in two different ways. The management who represented the qualitative survey assessed the awareness of the banks for

CSR as medium to low while the quantitative survey showed that the awareness is on a satisfactory level. After the discussions on this subject, I was informed that the interest progressively increases on yearly basis and the philanthropy which is not directly connected to the business, gradually contributes to the CSR awareness. Additional motivations for the CSR activities are the awards that are granted every year for the best CSR practice on state level. This stimulates greater number of companies to take part in the contest organized by the Coordinating Body for CSR and the Ministry of Economy of the Republic of Macedonia.

The respondents pointed out that CSR can be seen as internal and external responsibility which means not only focusing outside of the bank but also inside the bank where the employees are being targeted. The internal CSR responsibility cares about the health and security of the employees and maintains balance between work and their private life. Macedonian banks do not have practice to recruit disabled person which was recommended together with the other commitments for the future.

Companies' perception and decision to implement CSR depends on the company's strategic vision, key values and organizational culture. Every company needs a CSR strategy because the practice shows that CSR initiatives are taken as disparate CSR programs. By implementing CSR strategy, the banks can activate all their resources and can choose the right cause which will strengthen their competitive advantage.

Besides the management of the banks, employees must make a public commitment to CSR and engage in it. This clear vision of CSR needs to be embedded within the strategy of the bank and reflect the values which are linked to the mission and vision of the organization. CSR efforts have to be treated and managed as core business strategy, just as strategies of marketing, HR, capital expenditure, or talent management. Determining the top CSR goals will contribute to the achievement of those business objectives.

The main initiative and decision for the new CSR practices is provided by the upper management and the Board of directors although employees can make contribution and suggest the ideas. The CSR committee holds regular meetings where the initiatives are considered but the final decision depends on the management of the bank.

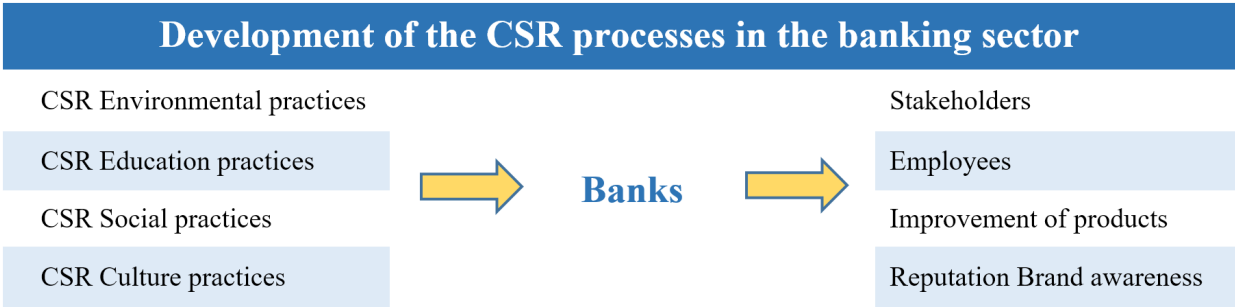
The tasks and results of the CSR activities are evaluated through narrative reports which are further discussed on the meetings. Transparency and accountability practices from the quantitative and qualitative survey provide equal results as the transparency of the CSR activities is implemented by publishing the reports and events on their official web site and in the annual report of the bank.

In the methodology of CSR reporting, the UN Global Contract ten principles are the main standard used by all banks. The quantitative analyses proved that the employees are aware for

the responsibility to be transparent and to report CSR activities but they are not familiar with the globally acknowledged standards for CSR reporting. The disclosure has to be more standardized as the information contained needs to be clear and understandable for all shareholders. If the disclosed reports are trustworthy the people will believe it and act on it. The standard reports are useful but web site based reports allow the investors and stake holders to get informed in an easy and quick way tailored to their needs. The financial information for the performed or planned CSR activities is disclosed only within regular standard internal reports to the managers, shareholders and state institutions require this kind of information or if the bank applies for some reward.

A general conclusion from the surveys is that Banks should develop CSR processes by implementation of CSR strategy within the bank. The causes for implementing the projects should be selected carefully in an organized structure of the following categories: environmental, educational, social and cultural practices. Such organized approach can have impact on the stakeholders, employees, products, reputation and brand awareness. But they also point out that internal CSR processes which concern the employees of the bank have great importance in the strategy of the banks.

Table 6: CSR Development in the Banking Sector



Summarizing the replies from interviewed managers, and HR professionals in the qualitative part of the survey basically equals the results received from the quantitative survey.

The common view of all survey is that employing strong CSR strategy is the key factor to improvement of the CSR practices in the banks.

6.2 Discussion and Recommendations

Macedonian banks should take simple, step by step actions in order to advance the management processes related to CSR actions that have an economic, social and environmental impact by employing strong strategy.

In the initial phase, the strategy should diagnose the current situation of the bank so that it will be possible to identify the areas for improvement and manage the process as it is required. In this early stage the company should identify the management and the employees' perception of the area of social responsibility.

A series of social responsibility indicators should be included for an objective evaluation of the past projects. The evaluation will detect the areas of strengths in CSR and the areas that need to be worked on and get them improved. The comparison between these two areas leads to the process of strategic planning and improvement. The improvement process should take into consideration prioritization of the areas such as meeting stakeholders' expectations, alignment with the strategy, benchmarking, etc. and preparation of an action plan in order to prepare actions and targets which have to be achieved. Once the action plan is ready, the next step is to begin with the activities and choosing right people who will be responsible for the coordination of the planned actions.

The process continues with the evaluation of the targets and analyzing the weak areas and deviations, if any. Analyzing the weak areas will initiate a new cycle of improvement. The next step is communication which entails communicating the results with the key stakeholders. The most effective forms of communications are internal channels such as: e-mails, internal newsletters, posters etc. Company's website is the second channel of communication where the sustainability report can be published containing information about good practices, certifications and policies. Newspapers and magazines are the next channel where CSR activities can be also communicated.

All activities of the company (presentations, fairs, symposia) can be complemented with materials that can communicate the CSR responsibility of the bank. In communicating the results, the bank should talk about CSR but not to boast about it. Other important thing is to use your voice in a way the customers want to hear it. Sustainability report which contains information on the bank's results on the economic, environmental and social impact of its CSR activities (TBL) can be one of the tools for communicating social responsibility activities of the bank. In initiating CSR activities banks should choose the right cause. In order to pick the right charity, certain factors should be considered such as the size of the charity and the evaluation of the company's culture. The employees of the bank are just as powerful as consumers in getting the word of a mouth out about company's business practices. Although CSR activities are voluntary, Banks should encourage employees to engage in the company's CSR efforts. They will likely tell others about it just the same as the customers will do it.

CONCLUSION

The main goal of this thesis was to present the current situation in the Macedonian banking sector, especially through the example of the biggest banks, which are members of international Groups and thus part of the global market. On the subject of CSR, as a relevant factor for the total economy, they need to include and grow additional practices which would provide them competitive advantage over their competitors on the Macedonian market. The idea is that the social responsibility is a philosophy or a vision which associates businesses and society both of them requiring for sustainability. Much like quality management, CSR have to be treated as an investment, not as cost of the company.

The survey realized among the biggest Macedonian banks proved that the awareness and the interest for CSR are satisfactory. The case study of a single bank conducted among its employees mostly confirmed the conclusions of the interviews. In general there is a lack of understanding and knowledge within the managing structures and employees in the Macedonian banking sector that CSR practices should embrace multiple stakeholders (employees, customers, local authorities, NGOs, governments and others) in addition to shareholders.

Banks cannot operate as isolated factors operating solely for profit for their shareholders. The overall health of a bank is complete only if they operate in a social, environmental and human society. The case study confirmed that it is increasingly evident that CSR issues are frequently on the agenda of the banks meetings as the companies which run good social practices perform better in a long run.

Finally, the role of the professional NGO s such as the Red Cross of Macedonian is also very important, especially in helping the decision making management to develop their knowledge and expertise through organizing different conferences and events related to CSR topics. This could support the knowledge and practice exchange between all involved parties and lead to further surveys and research in the field of managing CSR.

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CSR, Trust and the Employer BrandSilke, Bustamante Berlin School of Economics and Law.

APPENDICES

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Appendix A: Questionnaire for the Qualitative Survey

Interviewer: _____ Date: _____

Interviewee: _____ Place: _____

Organization: _____ Function: _____

Title of the project:

Corporate social responsibility in the Macedonian banking sector

1. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?
2. Do the biggest Macedonian banks establish strategies for the CSR practices?
 - If yes: Please describe the process of developing and adopting the strategy.
 - If no: Please explain the process of deciding for the type of CSR activities that are undertaken.
3. How does your bank initiate and decide for the CSR practices?
4. How do you monitor and evaluate your CSR practices?
5. What transparency and accountability practices does the bank use regarding the CSR practices?
6. Which standards are applied in the methodology of CSR reporting?
7. Do the banks disclose any financial information in their CSR reports?
 - if not: please explain why?
8. What kind of benefit will the bank gain by implementing good CSR practices?
9. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

Appendix B: Questionnaire for the Quantitative Survey

The following short question based survey is focused on the most important Corporate Social Responsibilities initiatives and practices in the banking sector. The survey will take you only 15 minutes to complete. All information from the answers will be kept strictly confidential and will not in any case refer or will not be reported by an individual entity, but only in a collective outline. There is no reference to the name of the person who answered the questionnaire. Upon your request, you will be provided a summary of the key findings of the survey.

This research is part of the master thesis prepared by the candidate Marija Dimitrovska Masin, as a student of the accredited Consortium Master Studies of the Faculty of Economics at the University of Ljubljana in the Republic of Macedonia. The topic of the thesis is Corporate Social Responsibility practices in the Macedonian Banking Sector.

The conclusions from the analyzes based on the survey will encounter suggestions for CSR awareness in the banking sector raising as well as structured approach towards adopting the worldwide most common CSR practices.

Introduction Questions (Respondent Profile)

Q1) Gender: male___ female ___

Q2) Age group: a) 20-30 b) 31-40 c) 41- 50 d) 51-6....

Q3) Education: a) High-School b) B.Sc.- Univ. c) M.Sc.d) PhD

Q4) My current position is: a) Officer b) Head c) Manager d) Board member

Name of company: _____

PART I

Is there awareness for the importance of the CSR practices in the Macedonian companies?

1. The company I work for is a socially responsible member of the community.
 - a) not enough
 - b) enough
 - c) mediate
 - d) very good

e) excellent

2. I feel strong ties with the company I work for.

a) not enough

b) enough

c) mediate

d) very good

e) excellent

3. I am part of the CSR voluntary activities of my company.

Yes

No

4. My colleagues and I work as a team on CSR activities.

a) not enough

b) enough

c) mediate

d) very good

e) excellent

5. Voluntary CSR activity is important for my company.

a) not at all

b) a little

c) mediate

d) very much

e) excellent

6. I participate in a CSR initiative because I feel it as my own voluntary responsibility not expected by my employer.

Yes

No

PART II

CSR Strategy of the banks

1. Our bank has a strategy for deploying CSR practices?
 - Yes
 - No

2. Our bank has predetermined CSR budget?
 - Yes
 - No

3. Our bank has established CSR-committee
 - Yes
 - No

4. Our bank has CSR activities as a permanent point on the agenda for our Board meetings;
 - Yes
 - No

5. My colleagues and I have opportunities to suggest CSR activities.
 - a) not enough
 - b) enough
 - c) mediate
 - d) very good
 - e) excellent

6. The top CSR decisions are made by:
 - a) the CSR-committee;
 - b) the CSR manager;
 - c) the Sustainability Manager;

- d) the CEO;
 - e) the Board of Directors;
7. Our company has excellent reputation among our customers;
- a) not enough
 - b) enough
 - c) mediate
 - d) very good
 - e) excellent
 - f) the owners;

PART III

The most frequent CSR practices are planned for the:

1. Community
 - Education Program
 - Health Program
 - Housing Program
 - Finance Program
 - Help in Catastrophes and General Charity
 - Culture Programs
 - Employment Program
 - Social Programs (physical /psychological disabled)
 - Child Labor Institutional support

2. Employees
 - Schooling
 - Credit for Housing Work-life balance
 - Health Problems

- Economic Benefits
- Hired Handicap People
- Working Conditions

3. Environment

- Recycling
- Industrial or Commercial process
- Eco-programs

PART IV

CSR disclosure and accountability

1. Are there specific established patterns for reporting CSR practices in Macedonian banks?

Yes

No

2. Our bank communicates our CSR activities in a traditional fashion by:

- a) Internet (corporate website)
- b) annual reports
- c) press releases
- d) advertisements
- e) printed media (brochures)
- f) other reporting standard (GRI, ISO Standards, AA1000 APS...)

3. Our bank also communicates our CSR activities using new ways such as:

- a) Twitter
- b) YouTube
- c) Facebook or
- d) Company blogs / Intranet

4. Do you think that CSR reporting would be important for your brand reputation and brand management

Yes

No

5. Your bank has successfully implemented one of the quality reporting standards (ISO 9001; ISO 1400; ISO 26000; GRI standards)

Yes

No

6. What is the main motivation for publishing CSR reports?

a) risk reduction

b) rising publically CSR awareness

c) competitive advantage

d) Strengthening reputation.

APPENDIX C: Transcriptions of the interviews

Interview A:

General Manager

Interview conducted in person

Lasted 35 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. The level of awareness is medium. I consider that the concept CSR in our country is generally perceived as a marketing activity. There are many companies in Macedonia which correctly understand the meaning of CSR, in its true sense. But there are also many other companies, mostly the industrial companies, which through their business harm the society. Consequently, they undertake CSR projects to fix the damages and receive an award for this kind of responsibility. Actually they are legally bound to conduct such measurements. For example, if one company pollutes the air, they logically take corrective measurements and install cleaning air filters. Through these actions they represent their company as a socially responsible one, apply for recognition and receive national awards for CSR.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices? If yes, please describe the process of developing and adopting the strategy.

A. Following the global practices, we started developing CSR strategy. The strategy is established and it is checked on a yearly basis. Following the needs for adjustment of the strategy in accordance with the activities, we make the necessary amendments into the strategy accordingly. The strategy covers all the provisions of the UN Global contract, but some of the provisions are given special attention. The internal and external CSR activities are both part of our strategy which means that we pay equal attention to both of them. Although we abide to the 10 principles of the UN contract, for the ones that are most practised, we give a more detailed description in the strategy. We usually determine total budget for the CSR activities in advance and we structure and use it afterwards according to the activities.

Q. How does your bank initiate and decide for the CSR practices?

A. Actually the concept of CSR exists a long time ago, since the time of Former Yugoslavia when we referred to it as working activities. Here in the bank, when we started conceptualize our first strategy, we did not create something new, but we canalised the practices that have been already implemented. Many activities are executed since the establishment of the bank. As I remember, the first action was stocking the Mavrovo lake, which was idea presented by

our CEO. At that time we did not treat this kind of activities as CSR practices but as a part of our common business. Lately, we channelled this kind of activities into CSR practices of the bank and included them in our strategy. Once you are being recognized as a company with this kind of strategy, different organisations approach you in their own initiative and reveal the needs of the society which gives the bank impact to adjust the existing strategy. Some of these activities are sensitive and should not be publicly revealed. We had such case with women victims of family violence. We offered them medical help, by providing psychiatrist and psychologists, to treat them. This case is not disclosed because the women did not want to admit they have such problems.

Q. How do you monitor and evaluate your CSR practices?

A. We do not evaluate our CSR practises as it is very difficult to quantify the evaluation, but usually we try to evaluate them narratively or through discussions. As an example is our New years CSR activity, for the homeless children from the Children care center Shutka. We started donations for 30 children, but the number of the children rapidly increased to 120 in several years. We had an internal meeting where we concluded that the number increased due to lack of planned parenthood and the fact that even the parents of the children came to ask for help. So, the whole idea lost its primary objective and the concept of the CSR activity was altered. We decided to terminate with this kind of help and started thinking about more adequate solution. In a collaboration with gynecological center, we included the mothers of these children, providing them gynecological examinations and contraceptive preventive in order to control the birth rate in the poor layers of the society and reach long term solutions.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. In compliance with the internal acts of the bank, we prepare yearly and semi yearly reports for the conducted CSR activities. The semi-year reports have internal character, while the yearly is published on the web site and also on the web site of the UN Global Contract. Additionally, the bank publishes information for the conducted sponsorships and donations as part of the CSR activities.

Q. Which standards are applied in the methodology of CSR reporting?

A. No standards for reporting are implemented in our CSR practises. We have so many standards stipulated by the central bank and legislative, so no other activities for reporting are undertaken because the resources are over occupied with reports required by the central bank.

Q. Do the banks disclose any financial information in their CSR reports?

–if not: please explain why?

A. We do not disclose any financial information about our CSR activities. Exceptionally, we disclose it when we apply for some special CSR projects where we quantify it explicitly. Although in some cases it is very difficult to calculate the financial information for certain CSR activities. We made a specialized program for the blind children and it was very difficult to quantify it and calculate the financial information. We outsourced IT specialists and paid them per hour, so the process for calculating became too complicated that we agreed not to disclose the financial information.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. We usually expect to gain better clients and better employees. The groups we help are privileged in our bank and they are offered special interest rates. As for the employees, we expect them to be loyal, devoted and show commitment and responsibility.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. The employees of the bank are overwhelmed with activities which have to be completed for the business in order to be in compliance with the regulatory requirements. In future, we would expect that the employees would be more willing to participate in the CSR activities that are beneficial for the business and the society.

Interview B:

Marketing Manager

Phone interview

Lasted 15 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. I consider the awareness for the importance of CSR not enough developed in our country, especially in the banking sector. Majority of the banks are practising this kind of activities, which still need to be developed in order to follow the world practices. Although we are trying to follow the best practices of our mother company, we implement CSR projects which still need to be upgraded and complemented in order to keep up with the projects practiced in the developed countries. Sometimes we practise CSR through sponsorship and donations which is not the right way because sound CSR practices involve more than the financial aspect.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices?

A. According to my opinion, Macedonian banks do not have completely developed stand alone strategy for CSR practices. Under complete stand alone, I mean a strategy which can be compared to the world banking sector practices for preparing separate strategy concerning CSR. This is a case with our bank too, here in Skopje, while our mother bank has such a strategy which we struggle to follow. A separate appropriate CSR strategy with all its elements has still not been prepared. CSR activities are explained within the strategic management of the bank within and the content of the strategy for the whole bank. CSR is one of the responsibilities of our marketing sector.

Q. How does your bank initiate and decide for the CSR practices?

A. Our bank is a member of a Group and follows the principles and directions of our mother bank. For us, CSR activities are part of the strategic management framework on a higher level. Our practice is to report and discuss the initiatives on a Group level and the consensual attitude is approved on bilateral level. Our company has CSR as a permanent point on the agenda for our Board meetings.

The strategy of our bank is build upon many principles which are liable for corporate governance, client responsibility, operating responsibility, social responsibility and environmental responsibility.

Q. How do you monitor and evaluate your CSR practices?

A. We monitor and evaluate our CSR practices through the methods that are implemented by our partners. Our partners support our CSR project and make assessment for the completed project via relevant source for measuring the success of our CSR practices. They supply us with their assessment report and regularly come out with their own statements / reports to the media for the achieved results of campaigns in order to raise awareness of a social segment that we support.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. Our Bank announces its CSR projects together with its partners at the beginning of the campaign by publishing Press Release in the local newspapers and organizing events which clarify the objectives of the campaign and the way we conduct the campaign. On the website of the bank there is a section where CSR activities are presented together with the strategy for social responsibility and segments that it.

Q. Which standards are applied in the methodology of CSR reporting?

A. We do not apply standards in CSR reporting. Our Bank prepares annual and semi-annual CSR reports which are given to the management for their assessment.

Q. Do the banks disclose any financial information in their CSR reports?

A. Banks do not disclose their total annual CSR budgets. They do not disclose any financial information for the separate projects that are managed through the year. It goes without saying that CSR budgets are significantly smaller budgets and it is inadequate to disclose this information in comparison to the total annual income of the bank. This gives rise to the idea that banks can be a significant factor in the society if in future they attend greater commitment to CSR activities.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. Building a positive image of a socially responsible company is the best benefit that a bank can obtain. Other benefits can be creating close relations with the community in which the Bank operates, support socially vulnerable people and people with disabilities. The bank should not expect any financial feedback, better results and increased sales. It's just unconditional support to the community.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. Banks should obviously develop CSR strategy in the true sense of the word. They should attain a better understanding and expertise of the responsible employees that are in charge for the CSR strategy and also better awareness of the all employees for the importance of CSR practices and its implementation within the business operations of banks as part of the overall business strategy.

Interview C:

Marketing Manager

Interview conducted in person

Lasted 20 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. CSR becomes an important part in the operations of the larger banks in Macedonia. This is because public started to understand that this issue is important both for the business and for the society. They are starting to learn that there is more to a company than return on investment and profit. Society expects that the corporations conduct their operations in a proper way in order to fulfill their social obligations.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices?

– If yes, please describe the process of developing and adopting the strategy.

– If no, please explain the process of deciding for the type of CSR activities that are undertaken.

A. Most of the banks don't have a specialized separate CSR strategy. This issue is mostly related with the marketing/communication department or HR activities.

The awareness for CSR has been steadily and slowly managed in the past years. The process of deciding depends mostly on the marketing strategy and HR company policy. So managing the CSR practices is part of the core business strategy of the bank but it is realized through the parts of the strategic planning that refers to the marketing and HR strategy activities.

We need to stretch our views and ambitions for implementing CSR in our bank and look at it more on a long run rather than just as one time activity which also sometimes is treated as PR issue.

Q. How does your bank initiate and decides for the CSR practices?

A. Most of the big banks are aware of the importance of CSR and its creative opportunity to fundamentally strengthen their business while contributing to society at the same time. The big challenge still remains how to find and choose the best CSR practice. Most of the time we conduct our relative activities in partnership with the Red Cross of the city of Skopje partnering the established initiatives or CSR programs as a solution to the challenges that affect each of the partners. The marketing sector usually sets the initiative proposal which is further discussed and assessed mutually with the partner and finally approved by the top management of the bank. In any case our bank is more focused on particular CSR projects

which sometimes run in a one year period of time rather than in a long term strategy that will truly create value for the business and society. In any case the decision and approval of the projects is made by the Board of directors.

Q. How do they you monitor and evaluate CSR practices?

A. Monitoring and evaluation is still in process of development and it is mostly in a form of reports that give information to the banks management about the budget spent, goals and objectives achieved and short explanation of the implementation process and strategy. So in this phase it is a narrative description usually presented by the responsible department of the bank, in our case the marketing section.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. Most of the companies use their annual company reports for disclosing CSR information. They prefer to get involved more in the activities related to the community rather than environment or employees issues.

Our bank practices to CSR develop and implement educational and culture program of activates that will help and improve the community. We practice to publish an annual report of our CSR activities in the annual report of the bank.

Currently the banks use the transparency to gain public support and increase their business.

Q. Which standards are applied in the methodology of CSR reporting?

A. In our country there is no practice for implementing the well-known standards for CSR reporting. In reality we comply with the principles of the UN Global Compact.

Q. Do the banks disclose any financial information in their CSR reports? If not: please explain why?

A. No or very little. We think that disclosing this kind of information is pointless as CSR is dedicated to activities which most of the time require no publicity.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. The list of benefits according to my opinion is the following:

- loyalty of the employees
- good reputation for the bank
- positive public awareness
- establishing good relations with the local government

- differentiate the bank from the competitors
- bigger and easier access to big clients and retail clients
- And innovative thinking for new products and services related to the society.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. Banks should pay more attention to CSR activities in future.

CSR practices have to become integral part of their operation processes.

Banks should pay attention to adopt effective CSR strategy and work on the motivation of the employees to participate in the CSR activities. In future they should establish a mindset of risk management, business ethics and corporate social responsibility through internal management of employees and process and recognize complex financial products through external management of economic situation and internal management of people and process for the benefit of investors, management and community. Protecting rights of customers and developing basic principles of financing sensitive sectors as well as combating money laundering and corruption can also be targeted with the future CSR activities of the banking sector.

Interview D:

HR Manager

Phone interview

Lasted 20 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. Even though the concept of CSR Management is quite new in the Macedonian business and banking sector, the Banks are well aware for their activities and the impact these activities make not only on the relations they have with their clients and other subject they cooperate with, but to the society as a whole within which they operate. Positive trend can be noted in Macedonian banking sector, since most of the banks engage in continuous CSR activities. These activities promote the banks and often involve them in an integrated relation with the society in various ways.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices? If yes, please describe the process of developing and adopting the strategy.

A. The strategy for CSR practices are being developed established and approved on bank's highest management levels. Yet, they are not limited only to the top management, but other employees from the lower hierarchy levels are also included in the development stages of the strategies with their ideas and suggestions they might have in this direction. If no, please explain the process of deciding for the type of CSR activities that are undertaken.

Q. How does your bank initiate and decides for the CSR practices?

A. Internal coordinative body is established within the Bank. It holds periodical internal meetings and then reports the agenda of the meetings to the upper management for the ongoing practices and future possibilities. Upon review of the submitted reports, the high management structures and assesses the past undertaken activities and decides for their future implementation and introduction of new ones.

Q. How do you monitor and evaluate your CSR practices?

A. The previously mentioned internal coordinative body closely follows the practices of the Bank and other positive examples either from the local community or other global well recognized practices, and reports them to the top management.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. We disclose our best CSR practices through our annual report and transparently share all information regarding our activities on the web site of our bank.

Q. Which standards are applied in the methodology of CSR reporting?

A. No answer.

Q. Do the banks disclose any financial information in their CSR reports?

–if not: please explain why?

A. No financial information is reported, as we deem it not necessary. We practice CSR in order to help the society and we think that disclosing such information does not make sense. If a project requires such information, we can disclose it but otherwise we rather keep it for our own records.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. Better recognition for its functioning and contribution to the local environment and society, which can be done in parallel with the basic core business activity of the bank, strengthening the brand and image of the organization in the consumer circles and wider in the public.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. We shall try to increase the consciousness of the local business environment regarding the positive outcomes from practicing CSR, not only for the stakeholders and the community in which they operate, but for the business as a whole, the brand, employees, recognition and positive impression they leave within their current and potential customers and other subjects they cooperate and contact with on the long term. So I would stress that the ethical behaviour of all employees of the banks will play key role in future in implementing CSR activities. The understanding of the values and advantages that CSR can bring to a company as well as raising awareness of the stakeholders for implementing it will have to be main point for reconsideration.

Interview E:

Marketing Manager

Phone interview

Lasted 15 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. I believe it is very high, since all of the banks have put into place a special committee/practice/procedure for analyzing requests or generating other CSR in-house projects.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices? If yes, please describe the process of developing and adopting the strategy.

A. For us it is a special committee combined by senior managers from various divisions analyzing proposals from outside applicants or internal CSR ideas and proposals from the Bank employees who are stimulated to come up with ideas and proposals to benefit the community. The selection is then presented to the Board of Directors and the approved projects are then supported. If no, please explain the process of deciding for the type of CSR activities that are undertaken.

Q. How does your bank initiate and decide for the CSR practices?

A. We have a procedure set into place to gather proposals, analyze them, filter them through pre-set standards and then propose them to the Committee for further evaluation.

Q. How do you monitor and evaluate your CSR practices?

A. Each approved project is evaluated at the end by the impact, the perception of the public and the effect of the project on the community.

Q. What transparency and accountability practices do the bank use regarding the CSR practices?

A. The Bank issues public statements and shares almost all CSR activities on the web site and the social media

Q. Which standards are applied in the methodology of CSR reporting?

A. In practice we have not applied any standards for our CSR reports. We have internal Q&A form regarding the completed CSR activities. These forms present us data for further reporting.

Q. Do the banks disclose any financial information in their CSR reports?

A. Some events have disclosure of the financial support provided for the public and some do not, we don't have a standard for it either. if not, please explain why?

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. Main benefits which can be distinguished through our practice are satisfaction and connection with the community, the opportunity to interact in a different setting and with different context. At the same time, by benefiting the community our families benefit as well so there is also the personal gain which has to be mentioned as well.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. I believe there is no right way, our community needs a lot of improvements and any help is welcome.

Interview F:

Member of the Board of Directors

Interview conducted in person

Lasted 35 minute /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. CSR practices of the banks in Macedonia can be considered as satisfactory. Regarding the fact of the present and past activities implemented in the community, I think that banks manage this process within their organizational responsibilities in an adequate level. The main grounds for implementation of CSR policy of course it is the strategy of the bank where the corporate responsibility policy is incorporated. There are banks that have well-developed policies, and even their own explicit strategies for corporate responsibility practices. Our bank despite of the planned CSR activities, also realizes ad hoc projects according to the needs of specific events or crises in society. However, well considered strategies for corporate social responsibility are much more useful to the community and provide efficient projects resulting in increased image of the banks.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices?

A. Yes, major banks have developed strategy for corporate social responsibility. Usually big banks in the country develop CSR strategy which is assigned specifically for CSR activities, but a stand alone CSR strategy has not been implemented and created in our bank yet. In accordance to the priorities of the society and their own policy they tend to cover the issue with a strategy which should provide for building the image in the community in which they operate. In adopting the strategies they use the evaluations of the institutions which they collaborate with in a joint partnership projects. Our bank accomplishes mainly projects in partnership and thus enables right help for the needs of the community and the needs of specific target groups in the country. NGO's are usually sources for obtaining the right information within the process for developing CSR strategy.

Q. How does your bank initiate and decide for the CSR practices?

A. Our bank has policy for corporate social responsibility as well as annual action plans for the realization of the activities. The established responsible committee for CSR planning monitors the social, environmental and all general conditions in the country by using reports from the competent ministries and NGO's. The committee holds meetings within the bank when the projects for covering the needs in the community are designed. Within the committee we usually invite employees of the bank to contribute with their suggestions and ideas regarding corporate social responsibility activities. The committee decides for the CSR activities and their proposals are reviewed by the management of the bank.

Q. How do you monitor and evaluate your CSR practices?

A. Our activities which usually are realized in partnership with NGOs are regularly monitored and evaluated within the bank by preparing standard report on the implementation and achievement of tasks and goals of the activity. The reports and evaluations of the partners are also valuable. We organize meetings before the start of activities and a final meeting where an analysis of lessons is learned. The activities that are performed by the bank solely are evaluated through discussions and by preparing reports for the realized tasks of the activity.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. Implementation of activities related to corporate social responsibility of the bank directly relates the transparency and accountability which are realized in three directions: from banks to partners, from banks and partner to target groups and after finalization of the project from the partner to the bank. All important issues for transparency and accountability are agreed prior to the initiation of activities. Project plan, timeline, selection, budget, reporting issues and SWOT analysis are predefined elements for a successful realization of the activity. All activities are transparently presented on the web site of the bank and our Facebook fun page. We also practice PR announcements prior or during the related CSR activity.

Q. Which standards are applied in the methodology of CSR reporting?

A. In reporting the transparency and accountability of the employed practices the bank prepares narrative reports with an overview of activities implemented, SWOT analysis, photos and videos financial statements with complete information on the incurred costs, lists of users with all necessary data (time, place, date and signature)

Q. Do the banks disclose any financial information in their CSR reports?

A. Yes, our bank submits monthly reports on the completed CSR activities. The reports contain financial disclosure of the past and future CSR activities which is used only internally within the bank.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. The benefits obtained by implementing successful corporate responsibility practices are important for the image of the bank in the community. The successful practices contribute to the increase and develop greater social responsibility of its employees, better loyalty of the customers, as well as recognition of the bank as a positive example in the community.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. In order to achieve improved level of corporate social responsibility practices within the banking sector of Macedonia, banks need to practice sustainable planned activities and to incorporate them within the strategy of the bank and the CSR strategy respectively. Timely preparation of the planned activities for the next year and a good action plan are valuable also. All these attributes can contribute to a successful implementation of the strategy and the planned programs for corporate responsibility. Macedonian financial system should implement effective corporate governance practices, which will contribute in maintaining public trust and confidence of the shareholders.

Interview G:

NGO representative

Interview conducted in person

Lasted 20 minutes /Followed up by email

Q. At what level according to your perception is the awareness of the importance for CSR management in the Macedonian banks? Why is the situation like that?

A. In Macedonia, the practice of CSR could be assessed as satisfactory, considering the circumstances in our society. Generally all the banks in Macedonia have a general policy for CSR. Some of them are very successful in implementing the CSR practices in their regular actions. As a result of that they implement ad hoc projects, for a variety of events or for natural crises in the country. Well-designed strategies for the CSR could result with a lot of benefits for the society so as for the reputation of the bank.

Q. Do the biggest Macedonian banks establish strategies for the CSR practices?

A. Yes, the big banks have developed an elaborated strategy for the practices of CSR. Usually these strategies are developed in accordance with the priorities of the society and which are very important in meeting their needs. Before one strategy is being adopted, the estimates of the relevant institutions are considered, so as the needs of the targeted groups in every country where our bank has its own representatives. Also in the implementation of the CSR strategy we use all the information from the NGO Sector.

Q. How does your bank initiate and decide for the CSR practices

A. Banks do not prepare stand-alone CSR strategies. They arrange meetings with organizations that accomplish projects for covering the needs of the society. We also help them and follow the situation going on in our country and we use the reports from competent Ministries. The employees of the bank are included in the CSR practices, as their own responsibility for the social awareness in the country.

Q. How do you monitor and evaluate your CSR practices?

A. Our organization as a partner to the banks prepares reports from the activities and delivers them to the partner bank on the agreed tasks of the projects. We also arrange meetings before we start with the activities. After our successfully accomplished project we also arrange a meeting to analyze our whole working process and to discuss our ideas.

Q. What transparency and accountability practices does the bank use regarding the CSR practices?

A. The realizations of the CSR activities are directly connected with the transparency and accountability of the project. Before we start with the activity, we precisely define all the required elements for the transparency and accountancy and that includes visibility, making of reports, defining the budget, developing a plan for realization, time frame, selection of users and SWOT analysis.

Q. Which standards are applied in the methodology of CSR reporting?

A. When working in partnership with the banks we receive information that they prepare a narrative reports for the realization of the transparency and accountability of the conducted activities. They make SWOT analysis and we deliver photographs, and video materials from the accomplished projects, financial reports with a complete list of the activities.

We are aware and implement some of the world wide well known standards but we have to consider and implement more of them:

- The **Global Reporting Initiative (GRI)**.
- The **United Nations Global Compact (UNGC)**.
- **The OECD Guidelines on Multinational Enterprises.**
- **International Organization for Standardization (ISO)** as a non-governmental network of national standards.
- The AA1000 Series developed by **AccountAbility**, which promotes accountability for sustainability through social and ethical accounting, auditing and reporting.
- AA1000 APS (AccountAbility Principles Standard), AA1000SES (Stakeholder Engagement Standard) and AA1000AS (Assurance Standard). He even mentioned that many of the standards can be combined with the GRI Guidelines.
- *“As far as I know the UNGS, OECD and ISO standard are applied by some industries and in the banking sector as well. But as they are optional and not requested by law their implementation is still in their early stage” Quotation.*

Q. Do the banks disclose any financial information in their CSR reports?

A. According to my knowledge the banks prepare financial reports within their CSR strategies and they present them to the Board of Directors and shareholders.

Q. What kind of benefit will the bank gain by implementing good CSR practices?

A. The benefits from implementing CSR strategy has great importance for the reputation of the bank in the society so as for raising the awareness among the employees, gaining trust among clients and presenting an example in front of the whole society on how the other banks and companies should contribute to the humanity.

Q. What shall be done in future to improve the present state in implementing CSR practices by Macedonian banks?

A. According to my opinion and speaking from my experience I would recommend that the banks in Macedonia should maintain sustainability in the realization of their projects planned as a CSR strategy. A good plan and a precise time frame could ease the whole process and contribute in its realization of.

Ethical behaviour on the part of all employees not only the bankers:

- High standards of CR
- Transparency in corporate dealings
- Labour practices and employee rights
- Environmental practices
- Equitable pricing and remuneration policies
- Philanthropy and charitable giving
- Ethical investments
- Higher employee morale and commitment
- Enhancement of the brand with customers
- Better relations with governments, local communities
- Competitive advantage over rivals
- Reduced likelihood of regulatory intervention
- Cheaper capital from investors